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MESSAGE

OF THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

THE ANNUAL REPORT OF THE POST-MASTER GENERAL FOR THE FISCAL YEAR ENDED JUNE 30, 1911 AND THE REPORT OF THE COMMISSION ON SECOND-CLASS MAIL MATTER

COMMUNICATED TO THE TWO HOUSES OF CONGRESS : : : : FEBRUARY 22, 1912

WASHINGTON: 1912

U.S. President, 1909– (Taft)

MESSAGE

OF THE PRESIDENT OF THE UNITED STATES

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MESSAGE.

To the Senate and House of Representatives:

In transmitting the annual report of the Postmaster General for the fiscal year ended June 30, 1911, it gives me pleasure to call attention to the fact that the revenues for the fiscal year ended June 30, 1911, amounted to $237,879,823.60 and that the expenditures amounted to $237,660,705.48, making a surplus of $219,118.12. For the year ended June 30, 1909, the postal service was in arrears to the extent of $17,479,770.47. In the interval this very large deficit has been changed into a surplus, and that without the curtailment of postal facilities. Indeed, in the same time there have been established 3,744 new post offices, delivery by carrier provided in 186 additional cities, and new rural routes established, 2,516 in number and aggregating 60,679 miles in extent. The force of postal employees has been increased by more than 8,000, and a liberal policy in the matter of salaries has been followed, so that the amount expended for salaries is now $14,000,000 more than two years ago. The average salary has been increased from $869 to $967 for rural carriers, $979 to $1,082 for post-office clerks, $1,021 to $1,084 for city letter carriers, and $1,168 to $1,183 for railway postal clerks.

The report shows that the postal-savings system was begun experimentally in January, 1911, and that it has now been extended so as to include 7,500 presidential post offices, which includes practically all of the post offices of that class. Preparations are also being made to establish the system at about 40,000 fourth-class offices. The deposits in 11 months have reached a total of $11,000,000, distributed among 2,710 national and State banks.

The Postmaster General recommends, as I have done in previous messages, the adoption of a parcel post, and the begin-

ning of this in the organization of such service on rural routes and in the City Delivery Service first.

The placing of assistant postmasters in the classified service has secured greater efficiency. It is hoped that the same thing may be done with all the postmasters.

The report of the Postmaster General is full of statements of the important improvements in the organization and methods of the postal service made since the last annual report, and of tentative drafts of legislation embodying certain recommendations of the department which need legislation to carry them out.

There is only one recommendation in which I can not agree—that is one which recommends that the telegraph lines in the United States should be made a part of the postal system and operated in conjunction with the mail system. This presents a question of Government ownership of public utilities which are now being conducted by private enterprise under franchises from the Government. I believe that the true principle is that private enterprise should be permitted to carry on such public utilities under due regulation as to rates by proper authority rather than that the Government should itself conduct them. This principle I favor because I do not think it in accordance with the best public policy thus greatly to increase the body of public servants. Of course, if it could be shown that telegraph service could be furnished to the public at a less price than it is now furnished to the public by telegraph companies, and with equal efficiency, the argument might be a strong one in favor of the adoption of the proposition. But I am not satisfied from any evidence that if these properties were taken over by the Government they could be managed any more economically or any more efficiently or that this would enable the Government to furnish service at any smaller rate than the public are now required to pay by private companies.

More than this, it seems to me that the consideration of the question ought to be postponed until after the postal savings banks have come into complete and smooth operation and after a parcels post has been established not only upon the rural routes and the city deliveries but also throughout the department. It will take some time to perfect these additions to the

activities of the Post Office Department, and we may well await their complete and successful adoption before we take on a new burden in this very extended department.

I can not speak with too great emphasis of the improvement in the Post Office Department under the present management. The cutting down of cost, the shortening of methods, and the increase in efficiency are shown by the statistics of the Annual Report.

One of the most important matters referred to by the Postmaster General is the proposed fixing of new rates of postage for second-class mail matter. In connection with this subject, I have the honor to transmit herewith the report of the Commission on Second-Class Mail Matter, appointed pursuant to a joint resolution of the Sixty-first Congress, approved March 4, 1911.

The commission consists of Hon. Charles E. Hughes, Associate Justice of the Supreme Court of the United States; President A. Lawrence Lowell, of Harvard University; and Mr. Harry A. Wheeler, president of the Association of Commerce of the city of Chicago, whose character, ability, and experience command for their findings and recommendations the respect and confidence of the Congress and the country.

The report discloses a most exhaustive and critical inquiry into the subject of second-class mail matter after adequate notice to all the parties in interest. Extensive hearings were held by the commission, at which the Postmaster General and the Second and Third Assistant Postmasters General appeared and submitted formal statements presenting the various contentions of the Post Office Department, together with all the relevant official data and evidence relating to the cost of handling and transporting second-class mail matter. Certain of the leading magazines were represented by counsel, while various other publications appeared by representatives and were heard in oral argument or permitted to submit written briefs setting forth their respective reasons for opposing a change in the present postage rate on second-class mail. The Second and Third Assistant Postmasters General, together with minor officers of the department, were critically cross-examined by the counsel and representatives of the periodicals, and all the vari-

ous phases of the second-class postage problem were made the subject of a most painstaking investigation.

The findings of the commission confirm the view that the cost of handling and transporting second-class mail matter is greatly in excess of the postage paid, and that an increase in the rate is not only justified by the facts, but is desirable.

The commission reports that the evidence submitted for its consideration is sufficient to warrant a finding of the approximate cost of handling and transporting the several classes of second-class mail known as paid-at-the-pound-rate, free-in-county, and transient matter, in so far as relates to the services of transportation, post-office cars, railway distribution, rural delivery, and certain other items of cost, but that it is without adequate data to determine the cost of the general post-office service and also what portion of the cost of certain other aggregate services is properly assignable to second-class mail matter. It finds that in the fiscal year 1908, the period for which the statistics for the Post Office Department were compiled, the cost of handling and transporting second-class mail, in the items of transportation, post-office cars, railway distribution, rural delivery, and certain miscellaneous charges, was approximately 6 cents a pound for paid-at-the-pound-rate matter, and for free-in-county and transient matter each approximately 5 cents a pound, and that upon this basis, as modified by subsequent reductions in the cost of railroad transportation, the cost of paid-at-the-pound-rate matter, for the services mentioned, is now approximately 5½ cents a pound, while the cost of free-in-county and transient matter remains as formerly, namely, each at approximately 5 cents a pound.

Since the commission has determined that the cost of handling and transporting second-class mail is approximately 5½ cents for matter paid-at-the-pound-rate and approximately 5 cents each for free-in-county and transient matter, without taking into account the cost of the general post-office service and certain unassignable items of expense, it is apparent that the aggregate cost of all service performed by the postal establishment in connection with this class of mail matter is considerably above that amount.

The postal service is now, for the first time in years, operated upon a self-sustaining basis, and in my judgment this is a wise policy; but it should not be carried out at the expense of certain classes of mail matter that pay revenue largely in excess of their cost. It is not just that some classes of mail should be exorbitantly taxed to meet a deficiency caused by other classes, the revenue from which is much below their cost of handling and carriage. Where such inequalities exist they should be removed as early as practicable. The business enterprises of the publishers of periodicals, however, have been built up on the basis of the present second-class rate, and therefore it would be manifestly unfair to put into immediate effect a large increase in postage. That newspapers and magazines have been potent agencies for the dissemination of public intelligence and have consequently borne a worthy part in the development of the country all must admit; but it is likewise true that the original purpose of Congress in providing for them a subvention by way of nominal postal charges in consideration of their value as mediums of public information ought not to prevent an increase, because they are now not only educational but highly profitable. There is no warrant for the great disparity between existing postage rates on periodicals and the cost of the service the Government performs for them. The aggregate postal revenues for the fiscal year 1911 were $237,879,823.60, derived mainly from the postage collected on the four classes of mail matter. It is carefully estimated by the Post Office Department that the revenue derived from mail matter of the first class is approximately one and one-half times the cost of handling and carriage; that the returns from third and fourth class matter are slightly in excess of their cost of handling and carriage; and that while second-class matter embraces over 65 per cent of the entire weight of all the mail carried, it, nevertheless, yields little more than 5 per cent of the postal revenues.

The recommendations of the commission as to the postage rates on second-class mail are as follows:

1. The rate of 2 cents a pound on copies mailed by publishers to subscribers, to news agents, and as sample copies, and by news agents to their subscribers or to other news agents.

2. The rate of 1 cent for each 4 ounces for copies mailed by other than publishers and news agents; that is, the present transient rate.

3. The present free-in-county privilege retained, but not extended.

The commission also recommended that the cent-a-copy rate for newspapers other than weeklies and for periodicals not exceeding 2 ounces in weight, and the 2-cent-a-copy rate for periodicals exceeding 2 ounces in weight, when mailed at a city letter-carrier office for local delivery, be abolished.

As to the effect and adequacy of the proposed increase of 1 cent a pound in postage the commission says:

"Such an increase will not, in the opinion of the commission, bring distress upon the publishers of newspapers and periodicals, or seriously interfere with the dissemination of useful news or information. A reasonable time should be allowed, after the rate is fixed, before it is put into effect. While the new rate will be very far from compensating the Government for the carriage and handling of second-class matter, it will to some extent relieve the existing burden and result in a more equitable adjustment of rates."

The commission suggests that the department "maintain an adequate cost system, so that the effect of the new rates may be closely observed and a proper basis may be secured for the consideration of any future proposals."

In these recommendations the Postmaster General and I heartily concur and commend them to the early attention of Congress. The proposed increase of 1 cent a pound in the second-class postage rate, I believe, to be most reasonable, and if sufficient time is allowed before the change goes into effect it should work little serious injury to the business of the periodical publishers, while equalizing, at least in a measure, the burdens of postal taxation.

WM. H. TAFT.

THE WHITE HOUSE, *February 22, 1912.*

REPORT OF THE COMMISSION ON SECOND-CLASS MAIL MATTER.

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REPORT OF COMMISSION ON SECOND-CLASS MAIL MATTER.

WASHINGTON, D. C., *February 2, 1912.*

To the PRESIDENT:

The Commission on Second-Class Mail Matter, appointed pursuant to joint resolution of Congress approved March 4, 1911, has the honor to submit the following report:

The resolution directed the Commission "to examine the reports of the Post Office Department and any of its officers, agents or employees, and the existing evidence taken in respect to the cost to the Government of the transportation and handling of all classes of second-class mail matter which may be submitted to them, and such evidence as may be presented to them by persons having an interest in the rates to be fixed for second class mail matter, to make a finding of what the cost of transporting and handling different classes of such second class mail matter is to the Government and what in their judgment should be the rate for the different classes of second class postal matter, in order to meet and reimburse the Government for the expense to which it is put in the transportation and handling of such matter."

Upon its appointment and organization, the Commission issued an announcement, under date of June 17, 1911, that it would begin its public sessions in the city of New York on July 18, 1911, and that all persons and organizations desiring to appear were requested to file notices of their appearance on or before July 11, 1911, with a statement of the particular matters as to which they wished to be heard or to present evidence. This announcement was distributed widely through the service of the press associations, and in addition about 3,000 copies were mailed to the publishers of newspapers and periodicals, and to various organizations representing those interested in the inquiry, as well as to all who had appeared before the Joint Commission of Congress on Second-Class Matter in 1906, or at the hearings on second-class mail before the Committee on the Post Office and Post Roads of the House of Representatives in 1910.

At the request of the Postmaster General, the Commission adjourned its hearings until August 1, 1911. They were then begun and were continued on August 2, 3, 4, 8, 9, 10, 11, 15, 23, 24, and 25

at the city of New York, and on September 29 and 30 at Washington, D. C.

The following persons appeared and were heard orally:

Hon. Frank H. Hitchcock, Postmaster General.

Hon. Joseph Stewart, Second Assistant Postmaster General.

Hon. James J. Britt, Third Assistant Postmaster General.

Mr. Herbert Noble and Mr. James B. Sheehan for the Review of Reviews, Everybody's Magazine, Adventure, McClure's Magazine, the American Magazine, Literary Digest, Saturday Evening Post, Ladies' Home Journal, The Country Gentleman, The Delineator, The Designer, New Idea Woman's Magazine, Woman's Home Companion, and Farm and Fireside.

Mr. Frank Hendrick for the Trend and Le Bon Ton.

Hon. W. S. Shallenberger and A. J. Rowland, D. D., for the Interdenominational Sunday School Council.

Mr. Edwin R. Graham for the Methodist Book Concern.

Mr. Gilbert Howell for the National Fraternal Congress and the National Fraternal Press Association.

Mr. Charles T. Root for The Federation of Trade Press Associations in the United States.

Mr. Wilmer Atkinson for the Farm Journal, of Philadelphia.

Prof. George W. Kirchwey for numerous learned societies; Prof. F. R. Hutton for the American Society of Mechanical Engineers; Mr. Charles L. Parsons for the American Chemical Society; Mr. Ralph W. Pope for the American Institute of Electrical Engineers; Prof. Cottell for the American Association for the Advancement of Science; and Capt. Joseph F. Siler for the Association of Military Surgeons and American Red Cross.

Mr. Samuel Gompers, Mr. Matthew Woll and Mr. W. J. Adames for the publications of international trades unions and fraternal societies; Mr. Herman E. Wills for the Brotherhood of Locomotive Engineers, the Order of Railway Conductors of America, the Brotherhood of Railway Trainmen, and the Brotherhood of Locomotive Firemen and Enginemen; Mr. Bernard Nolan for the mechanical trades of the printing trade, the Mechanical Trade Conference and the Printing Trade Industry of Greater New York; Mr. Peter J. Brady for the Allied Printing Trades Council of Greater New York.

Mr. James L. Cowles and Mr. Frederick C. Beach for the Postal Progress League.

Mr. Herbert H. White for the University Press, of Cambridge, Mass.

Mrs. Mary Ware Dennett for the National Woman's Suffrage Association; and Mrs. Leonora O'Reilly for the Woman's Trades Union League.

Written statements and arguments were also received from several of those above named and in addition from the following persons:

Mr. Frank J. Loesch for the scientific and professional societies publishing journals; Mr. Everett Sisson for the Religious Weekly Publishers' Association; Dr. William C. Woodward for the American Public Health Association; Mr. W. R. Boyd for the Iowa State Board of Education; Miss Mabel T. Boardman for the American Red Cross; Mr. Ellery Sedgwick for the Atlantic Monthly; Mr. A. R. Talbot, Mr. E. W. Donovan, Mr. W. A. Frazier, and Mr. H. C. Evans for the Associated Fraternities of America; Mr. B. H. Bainbridge for the Postal Committee of the Manufacturers' Association of New York; Mr. Charles F. Rideal for the Banker and Investor Magazine; Dr. E. Elmer Keeler for The Good Health Clinic; Mr. Clyde C. Buckingham for the Texas Realty Journal; Mr. J. W. Ball for Green's Fruit Grower; Mr. Grant Hultberg for Augustana

Book Concern; Rev. Rufus W. Miller, D. D., for the Sunday School Board of the Reformed Church; Mr. G. C. Osborne for The Journal and Messenger; Mr. B. Kirk Rankin for the Southern Agriculturist; Mr. John H. Cowles for the Masonic Home Journal; Rev. Wilbur F. Crafts for the International Reform Bureau; Mr. F. Colburn Pinkham for the National Retail Dry Goods Association.

Messrs. John F. Oltrogge, General Superintendent P. F. Collier & Son; Simon Brentano; R. R. Bowker; Charles William Burrows; Jacob Rubel; Philip Gotthelf, publisher of Elite Styles; W. L. Dudley; F. E. Williams; T. M. Filbert, publisher of the Des Lacs Observer; E. A. Hempstead; J. L. Sutton; Motor Car Publishing Co.; W. F. Wendt Publishing Co.; M. T. Richardson Co., publishers of Blacksmith and Wheelwright; La Hacienda Co.; and the American Blacksmith Co.

At the beginning of the hearings the Postmaster General addressed the Commission, stating in a summary way the present attitude of the department and his recommendations. The Second Assistant Postmaster General then submitted to the Commission the results of the inquiries of the department as to the cost of transporting and handling second-class mail matter, with a large number of tables purporting to show in detail the items of cost and their apportionment in the different branches of the service; and the Third Assistant Postmaster General made a statement with respect to the need of a "simple, connected, and self-construing statute" covering the subject of second-class mail, in order to obviate the difficulties now arising in administration.

The extent and character of the investigations conducted by the Post Office Department in the matter of cost were fully detailed and considered, and opportunity was afforded to counsel for publishers for the examination of the files of the department and for the interrogation of those who were able to give information as to the method and results of its computations.

Mr. Herbert Noble and Mr. James B. Sheehan, on behalf of their clients, conducted before the Commission an extended and careful cross-examination of officers and employees of the department. There were examined:

Hon. Joseph Stewart, Second Assistant Postmaster General;

Hon. James J. Britt, Third Assistant Postmaster General;

Mr. Charles H. McBride, superintendent of the Railway Adjustment Division;

Mr. John N. Masten, assistant superintendent of the Railway Mail Service;

Mr. Charles H. Fullaway, assistant superintendent of the Division of Finance; and

Mr. W. H. Haycock, superintendent of the delivery division of the post office at Washington, D. C.

They also called and examined the following persons:

Mr. Solomon G. Rosenbaum, president of the National Cloak & Suit Co.; Mr. Edmund Carrington, of the Butterick Co.; Mr. Valentine Beck, of the Review of Reviews; Mr. R. S. W. Paine, of McClure's Magazine; and Mr. P. C. Wiegand, certified public accountant.

The Commission were thus aided in their work by a painstaking analysis of the calculations of the department, both with respect to their accuracy and the adequacy of the inquiries upon which they were based, as well as by a discussion of the general considerations which are involved in fixing rates so closely related to important educational agencies and the suitable dissemination of current information.

Various new or revised calculations were submitted from time to time and the inquiry has been unavoidably prolonged, making impossible an earlier report.

PREFATORY HISTORICAL REVIEW.

Before examining the data adduced before the Commission it may be of advantage to advert briefly to the more important legislation on the subject of postal rates and to the events leading to the appointment of the Commission.

LEGISLATION AS TO POSTAL RATES ON DOMESTIC MATTER.

Without attempting to state comprehensively all the various rates on domestic mail matter established from time to time, the following, for purposes of comparison, may be noted:

Letters.—Under the first statute passed after the adoption of the Constitution (act of Feb. 20, 1792[1]) the rates for single letters (that is, composed of a single sheet) were fixed according to distance, ranging from 6 cents for not exceeding 30 miles to 25 cents for over 450 miles, with double and triple rates for double and triple letters. These rates were not greatly altered, for any long period of time, until 1845. In that year[2] the rate for single letters (defined as weighing not more than one-half ounce) for a distance under 300 miles was made 5 cents, otherwise 10 cents. In 1851,[3] it was reduced to 3 cents for any distance not more than 3,000 miles, if prepaid, and 5 cents if not prepaid, with double rates for any greater distance. In 1855,[4] prepayment was made compulsory and the rate for more than 3,000 miles was increased to 10 cents. In 1863,[5] a uniform rate of postage on letters was established, regardless of distance, at 3 cents for a weight not exceeding one-half ounce; and this rate was continued by the general act of 1879.[6] In 1883,[7] it was reduced to 2 cents a half ounce, and in 1885[8] to 2 cents for each ounce or fraction thereof.

Newspapers, periodicals, etc. (1792–1845).—By the act of 1792,[9] the postal rates for newspapers were 1 cent each for not more than 100

[1] 1 Stat., 235.
[2] 5 Stat., 733.
[3] 9 Stat., 587.
[4] 10 Stat., 641.
[5] 12 Stat., 705.
[6] 20 Stat., 355, 358.
[7] 22 Stat., 455.
[8] 23 Stat., 387.
[9] 1 Stat., 238.

miles and 1½ cents for greater distances. In 1794, there was added the proviso that the rate for single newspapers within the same State should not exceed 1 cent, and further, "that where the mode of conveyance, and the size of the mails will admit of it, magazines and pamphlets may be transported in the mail, at one cent per sheet, for conveyance, any distance not exceeding fifty miles, one and a half cents for any distance over fifty miles and not exceeding one hundred, and two cents per sheet for any greater distance."[1] In 1825,[2] while the rate for newspapers was continued that for magazines and pamphlets published periodically and mailed to subscribers was fixed at 1½ cents a sheet for any distance not more than 100 miles and 2½ cents for greater distances, and 4 and 6 cents, respectively, where they were not published periodically; and, in 1827,[3] there was a supplementary provision that where the magazine or pamphlet contained more than 24 pages on a royal sheet, or one of less size, the charge should be by the sheet, with one-half the rate for small pamphlets printed on a half or quarter sheet.

(1845–1879.)—This continued until 1845. Between that year and 1879 there were numerous changes, involving many details, and we mention only some of the illustrative features of the legislation of that period.

The free privilege for newspapers was introduced in 1845.[4] It applied to those not more than 1,900 square inches in size, distributed within 30 miles of the place of printing. This was withdrawn by the act of 1847,[5] which, however, allowed free exchanges between publishers. In 1851,[6] weekly newspapers, not over 3 ounces in weight, sent to bona fide subscribers were made free of postage within the county where published. This was restricted in 1852[7] to one copy to each subscriber, and in 1868,[8] it was provided that these copies should be deposited in the office nearest the place of publication and that there should be no distribution by carriers save on payment of postage. In 1874,[9] the free-in-county privilege was extended to all newspapers save that, unless postage paid, they were not to be delivered at letter-carrier offices or distributed by carriers. In 1879,[10] with the same restriction, this privilege was given to all second-class publications as there defined.

Returning to newspapers and periodicals, other than those made free, the act of 1845 continued the rates of 1825 for newspapers not more than 1,900 square inches. For those of larger size, the same rate was fixed as on magazines and pamphlets, and the latter were charged 2½ cents a copy weighing not more than an ounce and 1 cent more for each additional ounce, or fraction in excess of one-

[1] 1 Stat., 362.
[2] 4 Stat., 111.
[3] 4 Stat., 238.
[4] 5 Stat., 733.
[5] 9 Stat., 202.
[6] 9 Stat., 588.
[7] 10 Stat., 38, 39.
[8] 15 Stat., 194, 195.
[9] 18 Stat., 232, 233.
[10] 20 Stat. 358, 361.

half ounce. Passing the provisions of the act of 1851, which were in force for little more than a year, we come to that of 1852, which made the rate for newspapers, periodicals and other printed matter, weighing not over 3 ounces, 1 cent to any part of the United States and 1 cent additional for each additional ounce or fraction thereof, with one-half this rate for those not over $1\frac{1}{2}$ ounces circulated in the State where published. Small newspapers and periodicals published monthly or oftener, and pamphlets containing not more than 16 octavo pages each, when sent in single packages of at least 8 ounces to one address, were charged one-half cent per ounce, or fraction thereof.

In 1863,[1] mailable matter was divided into three classes: (1) Letters, (2) regular printed matter, (3) certain miscellaneous matter. The second class embraced all mailable matter exclusively in print, issued at stated periods. When issued weekly or oftener, not over 4 ounces in weight, and sent to regular subscribers, quarterly postage was charged running from 5 cents a quarter for weeklies to 35 cents for those issued seven times a week. For each additional 4 ounces or fraction thereof, there was an additional rate. When issued less frequently than weekly, the rate was 1 cent a copy, not over 4 ounces; and small newspapers in packages to one address were charged the same rate per package. Transient second-class matter and third-class matter (except circulars and books) were charged 2 cents for each 4 ounces or fraction thereof in one package to one address; books, double; and unsealed circulars, 2 cents for three or less in number and proportionately for more.

In 1872,[2] the quarterly rates on newspapers and periodicals were modified. And in that year there was provided a local-delivery rate of 1 cent each for newspapers (except weeklies), periodicals and circulars, not over 2 ounces in weight, and 2 cents for periodicals over 2 ounces when deposited in a letter-carrier office for delivery by the office or its carriers. By this statute, third-class matter was made to include samples of merchandise not over 12 ounces, and all other articles not exceeding 4 pounds, which were not liable to injure the mails; and the third-class rate was 1 cent for each 2 ounces or fraction thereof; books, samples of metals, ores, minerals and merchandise had double rates.

In 1874,[3] there was introduced a pound rate for newspapers and periodicals mailed from a known office of publication, or news agency to regular subscribers or news agents (save in case the local-delivery rate was payable under the act of 1872). This was fixed at 2 cents a pound or fraction thereof for those issued weekly or more frequently; otherwise 3 cents. And the rate for all third-class matter was made 1 cent for each 2 ounces or fraction thereof.

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[1] 12 Stat., 705. [2] 17 Stat., 296. [3] 18 Stat., 232.

The act of 1876,[1] put "regular publications designed primarily for advertising purposes," or for circulation free or at nominal rates, under the third-class rate.

Act of March 3, 1879.

The present law classifying mail matter was enacted in 1879.[2] This established four classes: First, written matter; second, periodical publications; third, miscellaneous printed matter; and fourth, merchandise.

Mailable matter of the second class was defined as embracing all newspapers and other periodical publications which are issued at stated intervals and as frequently as four times a year, under specified conditions, as follows:[3]

First. It must regularly be issued at stated intervals, as frequently as four times a year, and bear a date of issue, and be numbered consecutively.

Second. It must be issued from a known office of publication.

Third. It must be formed of printed paper sheets, without board, cloth, leather, or other substantial binding, such as distinguish printed books for preservation from periodical publications.

Fourth. It must be originated and published for the dissemination of information of a public character, or devoted to literature, the sciences, arts, or some special industry, and having a legitimate list of subscribers; *Provided, however*, That nothing herein contained shall be so construed as to admit to the second class rate regular publications designed primarily for advertising purposes, or for free circulation, or for circulation at nominal rates.

The provisions as to rates on second-class matter were:

Sec. 11. Publications of the second class except as provided in section twenty-five, when sent by the publisher thereof, and from the office of publication, including sample copies, or when sent from a news agency to actual subscribers thereto, or to other news agents, shall be entitled to transmission through the mails at two cents a pound or fraction thereof, such postage to be prepaid, as now provided by law.

Sec. 25. That publications of the second class, one copy to each actual subscriber residing in the county where the same are printed, in whole or in part, and published, shall go free through the mails; but the same shall not be delivered at letter-carrier offices, or distributed by carriers, unless postage is paid thereon at the rate prescribed in section thirteen (*sic*) of this act: *Provided*, That the rate of postage on newspapers, excepting weeklies, and periodicals not exceeding two ounces in weight, when the same are deposited in a letter-carrier office for delivery by its carriers, shall be uniform at one cent each; periodicals weighing more than two ounces shall be subject, when delivered by such carriers, to a postage of two cents each, and these rates shall be prepaid by stamps affixed.

Provision was made that foreign newspapers and other periodicals of the same general character as those admitted to the second class

[1] 19 Stat., 82.

[2] 20 Stat., 358, act of Mar. 3, 1879, chap. 180, secs. 7 et seq.

[3] Id., 359, sec. 14.

in the United States might, under the direction of the Postmaster General, be transmitted through the mails at the same rates as if published here.[1] Further, all publishers of second-class matter were allowed, without paying extra postage, to fold within their regular issues a supplement, provided the added matter was germane,[2] that is, supplied for sake of completeness.

Third-class matter[3] embraced books, transient newspapers, and periodicals, circulars and other matter wholly in print, proof sheets, corrected proof sheets, together with manuscript copy, and these were charged 1 cent for each 2 ounces or fraction thereof.

Fourth-class matter[4] consisted of that which was not included in the other classes, not in form or nature liable to injure the contents of the mail bag or harm those engaged in the postal service, and not exceeding 4 pounds in weight for each package (except in case of single books), and the rate was fixed at 1 cent an ounce or fraction thereof.

Act of June 9, 1884.

By the act of June 9, 1884,[5] the transient rate on newspapers and periodical publications of the second class, that is, when sent by others than the publisher or news agent, was made 1 cent for each 4 ounces or fraction thereof.

Act of March 3, 1885.

In 1885,[6] the pound rate for second-class matter was reduced to 1 cent a pound.

Later Statutes.

In 1894,[7] the definition of publications entitled to be admitted to the mails as second-class matter was enlarged by the following provision with respect to those issued by benevolent or fraternal societies, trade unions, and learned associations:

> All periodical publications issued from a known place of publication at stated intervals and as frequently as four times a year by or under the auspices of a benevolent or fraternal society or order organized under the lodge system and having a bona fide membership of not less than one thousand persons or by a regularly incorporated institution of learning or by or under the auspices of a trades union and all publications of strictly professional, literary, historical, or scientific societies including the bulletins issued by State boards of health shall be admitted to the mails as second class matter and the postage thereon shall be the same as on other second class matter and no more: *Provided, further,* That such matter shall be originated and published to further the objects and purposes of such society, order, trades union, or institution of learning and shall be formed of printed paper sheets without board, cloth, leather or other substantial binding such as distinguish printed books for preservation from periodical publications.

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[1] 20 Stat., 359, sec. 15,
[2] Id., 359, sec. 16.
[3] Id., 359, sec. 17.
[4] Id., 360, sec. 20.
[5] 23 Stat., 40.
[6] 23 Stat., 387.
[7] 28 Stat., 105, act of July 16, 1894, chap. 137.

Under this amendment, we are advised that the department has uniformly held that publications containing advertisements in the interest of other persons or concerns than the society or trades union or institution of learning which the paper represents are not entitled to these privileges; and that to justify such advertisements, there must be compliance with the conditions of the act of March 3, 1879.

There was a further supplementary act in 1900[1], with respect to the publications of State departments of agriculture, as follows:

All periodical publications issued from a known place of publication at stated intervals as frequently as four times a year by State departments of agriculture shall be admitted to the mails as second class mail matter: *Provided*, That such matter shall be published only for the purpose of furthering the objects of such departments: *And provided further*, That such publications shall not contain any advertising matter of any kind.

In 1910,[2] it was provided that where publications mailed at the pound rate or free in county are undeliverable, they shall be returnable to the publisher, after specified notice and in the circumstances stated, charged with postage at the third-class rate.

Existing Rates on Second-Class Matter.

The existing rates on second-class matter are those established by the act of 1879, as amended in 1884 and 1885. There are, in the words of the Postmaster General, "seven rates, or variations of rates, applicable to different circumstances," as follows:

(1) The general rate of 1 cent a pound on copies mailed by publishers to subscribers, to news agents, and as sample copies.

(2) The free-of-postage rate on copies mailed to subscribers residing in the county where the publications are printed and published, when not addressed for delivery at a city letter-carrier office.

(3) The cent-a-pound rate on copies mailed for delivery by rural carriers when emanating from a city letter-carrier office.

(4) The cent-a-pound rate on weekly publications mailed for delivery at a city letter-carrier office.

(5) The cent-a-copy rate for newspapers, other than weeklies, and for periodicals not exceeding 2 ounces in weight, when deposited at a city letter-carrier office for local delivery by carriers.

(6) The rate of 2 cents a copy for periodicals exceeding 2 ounces in weight when deposited at a city letter-carrier office for local delivery by carriers.

(7) The rate of 1 cent for each 4 ounces for copies mailed by others than publishers or news agents.

INCREASE IN SECOND-CLASS MATTER.

Under these rates the amount of second-class matter transmitted through the mails has increased enormously. The report of the

[1] 31 Stat., 660, act of June 6, 1900, chap. 801.
[2] 36 Stat., 366, act of May 12, 1910, chap. 230.

Post Office Department for the year 1908 shows the following increases by weight for three decades:

	Pounds.
1879 to 1888, inclusive	969,111,148
1889 to 1898, inclusive	2,474,430,120
1899 to 1908, inclusive	5,377,606,403
Total for 30 years	[1] 8,821,147,671

The statement by years from 1879 to 1910, showing the weight of second-class matter, including free in county (from 1901 [2]) and that paid at the pound rate, according to the statement filed by the department with the Commission, is as follows: [3]

"*Table showing by years, and in pounds, the total weight of mailings of matter of the second class, free-in-county; as to subscribers subject to postage at the pound rate; total mailings, and the total postage collected, with the yearly percentage of increase or decrease, covering the period of the fiscal years from 1879 to 1910, both years included.*

Year.	Free in county.	Per cent increase.	Paid matter.	Per cent increase.	Total mailings.	Per cent increase.	Total postage.
1879	.....	.....	51,125,500	.....	51,125,500	.....	$1,104,184.67
1880	.....	.....	61,322,629	19.94	61,322,629	19.94	1,226,452.58
1881	.....	.....	69,952,432	14.07	69,952,432	14.07	1,399,048.64
1882	.....	.....	78,255,164	11.86	78,255,164	11.86	1,565,103.28
1883	.....	.....	85,258,876	8.94	85,258,876	8.94	1,705,177.53
1884	.....	.....	94,479,607	10.81	94,479,607	10.81	1,889,592.14
1885	.....	.....	101,057,963	6.96	101,057,963	6.96	2,021,159.26
1886	.....	.....	109,962,589	8.81	109,962,589	8.81	[1] 1,099,625.89
1887	.....	.....	126,234,883	14.79	126,234,883	14.79	1,262,348.83
1888	.....	.....	143,662,918	13.80	143,662,918	13.80	1,436,629.18
1889	[2] 28,523,846	.....	161,635,127	12.51	190,158,973	32.36	1,616,351.27
1890	[2] 30,714,135	.....	174,046,764	7.67	204,760,899	7.67	1,740,467.64
1891	[2] 34,754,486	.....	196,942,092	13.15	231,696,578	13.15	1,969,420.92
1892	[2] 39,289,834	.....	222,642,392	13.05	261,932,226	13.05	2,226,423.92
1893	[2] 45,111,920	.....	255,634,213	14.81	300,746,133	14.81	2,556,342.13
1894	[2] 44,962,995	.....	[1] 254,790,306	[1] .33	[1] 299,753,301	[1] .33	[2] 2,547,903.06
1895	[2] 46,820,185	.....	265,314,382	4.13	312,134,567	4.13	2,653,143.82
1896	[2] 52,348,297	.....	296,640,351	11.81	348,988,648	11.81	2,966,403.51
1897	[2] 54,822,027	.....	310,658,155	4.73	365,480,182	4.73	3,106,581.55
1898	[2] 59,316,412	.....	336,126,338	8.20	395,442,750	8.20	3,361,263.38
1899	[2] 62,241,746	.....	352,703,226	4.93	414,944,972	4.93	3,527,032.26
1900	[2] 67,506,882	.....	382,538,999	8.45	450,045,881	8.45	3,825,389.99
1901	31,775,264	.....	429,444,573	12.26	461,219,837	2.48	4,294,445.73
1902	34,094,544	7.29	454,152,359	5.75	488,246,903	5.86	4,541,523.59
1903	36,305,884	6.48	509,537,962	12.19	545,843,846	11.79	5,095,379.62
1904	40,429,254	11.35	569,719,819	11.81	610,149,073	11.78	5,697,198.19
1905	44,442,374	9.92	618,664,754	8.59	663,107,128	8.68	6,186,647.54
1906	47,839,783	7.64	660,338,840	6.73	708,178,623	6.79	6,603,388.40
1907	52,460,251	9.65	712,945,176	7.96	765,405,427	8.08	7,129,451.76
1908	[1] 51,701,277	[1] 1.45	[1] 694,865,884	[1] 2.53	[1] 746,567,161	[1] 2.46	[1] 6,948,658.84
1909	[1] 51,568,188	[1] .25	723,233,182	4.08	774,801,370	3.78	7,232,331.82
1910	55,639,177	7.31	817,772,900	13.07	873,412,077	12.72	8,177,729.00"

[1] Decrease. [2] Estimated.

It should be noted that the amount of second-class matter paid at the pound rate in 1910 was greater by 94,539,718 pounds than that in 1909 and by 122,907,016 pounds than that in 1908.[4]

[1] Annual Report, 1908, p. 284. In the Report of the Third Assistant Postmaster General for 1911, p. 36, the figures are given for the past 30 years, from 1882 to 1911, showing a total of 12,102,930,224 pounds of second-class matter, of which there were 7,126,713,277 pounds in the last 10 years.

[2] Prior to 1901, the amount of free-in-county matter was based on an estimate that it constituted 15 per cent of all second-class matter. This can not be taken to be accurate, the estimate for 1900, for example, being 67,506,882, largely in excess of the amount for any later year. Since 1901, the actual amounts have been returned. (Annual Report, 1901, p. 772; Annual Report, 1902, pp. 482, 483.)

[3] Exhibit 105.

[4] The total pound-rate matter for the fiscal year 1911 was 893,296,908 pounds, and the free-in-county matter 57,704,761 pounds. Report of Third Assistant Postmaster General, 1911, p. 36.

COMPARATIVE STATEMENT OF ANNUAL RECEIPTS AND EXPENDITURES—DEFICITS.

The report of the receipts and expenditures of the Post Office Department shows a wide range of fluctuation. In 1800 [1] the receipts exceeded expenses by $66,810; in 1837 [2] by $1,657,349; in 1842 there was a deficit of $1,127,902. A surplus was shown in 1848, but in 1852 there was an excess of expenditures amounting to $1,923,923. This increased to $10,652,542 in 1860. The deficit was largely reduced in the succeeding years and in 1865 there was a surplus of $851,430. From that time, the receipts and expenditures, together with the number of post offices, are thus shown in the department's table: [2]

Fiscal year.	Estimated population.	Number of post offices.	Audited revenues.	Revenue per capita.	Audited expenditures.	Expenditures per capita.	Excess of expenditures over revenues.
1865	34,748,000	20,550	$14,556,158.70	$0.42	$13,694,728.28	$0.39	[3] $861,430.42
1866	35,469,000	23,828	14,436,986.21	.41	15,352,079.30	.43	915,093.09
1867	36,211,000	25,163	15,297,026.87	.42	19,235,483.46	.53	3,938,456.59
1868	36,973,000	26,481	16,292,600.80	.44	22,730,592.65	.61	6,437,991.85
1869	37,756,000	27,106	18,344,510.72	.49	23,698,131.50	.63	5,353,620.78
1870	38,558,371	28,492	19,772,220.65	.51	23,998,837.63	.62	4,226,616.98
1871	39,555,000	30,045	20,037,045.42	.51	24,390,104.08	.62	4,353,058.66
1872	40,596,000	31,863	21,915,426.37	.54	26,658,192.31	.66	4,742,765.94
1873	41,677,000	33,244	22,996,741.57	.55	29,084,945.67	.70	6,088,204.10
1874	42,796,000	34,294	26,471,071.82	.62	32,126,414.58	.75	5,655,342.76
1875	43,951,000	35,547	26,791,360.59	.61	33,611,309.45	.76	6,819,948.86
1876	45,137,000	36,383	28,644,197.50	.63	33,263,487.58	.74	4,619,290.08
1877	46,353,000	37,345	27,531,585.26	.59	33,486,322.44	.72	5,954,737.18
1878	47,598,000	38,253	29,277,516.95	.62	34,165,084.49	.72	4,887,567.54
1879	48,866,000	40,588	30,041,982.86	.62	33,449,899.45	.68	3,407,916.59
1880	50,155,783	42,989	33,315,479.34	.66	36,542,803.68	.73	3,227,324.34
1881	51,316,000	44,512	36,785,397.97	.72	39,592,566.22	.77	2,807,168.25
1882	52,495,000	46,231	41,876,410.15	.80	40,482,021.23	.77	[3] 1,394,388.92
1883	53,693,000	46,820	45,508,692.61	.85	43,282,944.43	.81	[3] 2,225,748.18
1884	54,911,000	48,434	43,325,958.81	.79	47,224,560.27	.86	3,898,601.46
1885	56,148,000	51,252	42,560,843.83	.76	50,046,235.21	.89	7,485,391.38
1886	57,404,000	53,614	43,948,422.95	.77	51,004,743.80	.89	7,056,320.85
1887	58,680,000	55,157	48,837,609.39	.83	53,006,194.39	.90	4,168,585.00
1888	59,974,000	57,376	52,695,176.79	.88	56,468,315.20	94	3,773,138.41
1889	61,289,000	58,999	56,175,611.18	.92	62,317,119.36	1.02	6,141,508.18
1890	62,622,250	62,401	60,882,097.92	.97	66,259,547.84	1.06	5,377,449.92
1891	63,947,000	64,329	65,931,785.72	1.03	73,059,519.49	1.14	7,127,733.77
1892	65,191,000	67,119	70,930,475.98	1.09	76,980,846.16	1.18	6,050,370.18
1893	66,456,000	68,403	75,896,993.16	1.14	81,581,681.33	1.23	5,684,688.17
1894	67,740,000	69,805	75,080,479.04	1.11	84,994,111.62	1.25	9,913,632.58
1895	69,043,000	70,064	76,983,128.19	1.12	87,179,551.28	1.26	10,196,423.09
1896	70,365,000	70,360	82,499,208.40	1.17	90,932,669.50	1.29	8,433,461.10
1897	71,704,000	71,022	82,665,462.73	1.15	94,077,242.38	1.31	11,411,779.65
1898	73,060,000	73,570	89,012,618.55	1.22	98,033,523.61	1.34	9,020,905.06
1899	74,433,000	75,000	95,021,384.17	1.28	101,632,160.92	1.37	6,610,776.75
1900	76,295,220	76,688	102,354,579.29	1.34	107,740,267.99	1.41	5,385,688.70
1901	77,754,000	76,945	111,631,193.39	1.43	115,554,920.87	1.49	3,923,727.48
1902	79,117,000	75,924	121,848,047.26	1.54	124,785,697.07	1.58	2,937,649.81
1903	80,847,000	74,169	134,224,443.24	1.66	138,784,487.97	1.72	4,560,044.73
1904	81,867,000	71,131	143,582,624.34	1.75	152,362,116.70	1.86	8,779,492.36
1905	83,260,000	68,131	152,826,585.10	1.84	167,399,169.23	2.01	14,572,584.13
1906	84,662,000	65,600	167,932,782.95	1.98	178,449,778.89	2.11	10,516,995.94
1907	86,074,000	62,658	183,585,005.57	2.13	190,238,288.34	2.21	6,653,282.77
1908	87,496,000	61,158	191,478,663.41	2.19	208,351,886.15	2.36	16,873,222.74
1909	88,926,000	60,144	203,562,383.07	2.29	221,004,102.89	2.49	17,441,719.82
1910	90,363,000	59,580	224,128,657.62	2.48	229,977,224.50	2.54	5,848,566.88

[1] Annual Report, 1910, p. 43.
[2] Id., p. 355.
[3] Excess of revenues over expenditures.

So many factors are involved that mistaken inferences may easily be drawn from these figures, and various arguments have been based upon them. But it may be observed that neither the reductions in the paid-at-the-pound rate of 1874, 1879 and 1885, nor the increase in tonnage of paid-at-the-pound-rate matter during the same period—nor yet the very large increase of 1910—can be shown to have exercised a controlling influence upon the department's deficit. In the fiscal year 1874, immediately before the rate of 2 and 3 cents a pound for second-class matter (mailed to subscribers and news agents) went into effect, the deficit was $5,655,342. In 1879, the year before the rate was fixed at 2 cents a pound for newspapers and periodicals alike, it had fallen to $3,407,916, and this was subsequently decreased. In 1882 and 1883, there was a surplus, amounting in the latter year to $2,225,748. But this speedily gave way to a deficit which in the year 1885, immediately before the reduction of the rate to 1 cent a pound, reached the sum of $7,485,391. Despite the reduction, the following years showed a decrease, the lowest point being in 1888, when the deficit amounted to $3,773,138. From that time, however, it rose, but the deficit of 1885 was not exceeded until 1894, when it amounted to $9,913,632, and in 1897 it increased to $11,411,779. Later, there were annual reductions until in 1902 the deficit fell to $2,937,649.

It was in the year 1897 that rural free delivery was instituted with 82 routes, but the expenditure was inconsiderable prior to 1901. It increased from $1,750,321 in that year to $36,923,737 in 1910.

The following statement of the expenses for rural free delivery is taken from the department's report [1]:

Fiscal year.	Routes.	Expenditure.	Increase in expenditure.
1897	82	$14,840	.....
1898	153	50,241	$35,401
1899	412	150,012	99,771
1900	1,259	420,433	270,421
1901	3,761	1,750,321	1,329,888
1902	8,298	4,089,041	2,338,720
1903	15,119	8,051,599	3,962,558
1904	24,566	12,645,275	4,593,676
1905	32,055	20,864,885	[1] 8,219,610
1906	35,766	25,011,625	4,146,740
1907	37,728	26,661,555	1,649,930
1908	39,277	34,371,939	[2] 7,710,384
1909	40,628	35,661,034	1,289,095
1910	41,079	36,923,737	1,262,703

[1] Maximum salary of carriers increased from $600 to $720 per annum.
[2] Maximum salary of carriers increased from $720 to $900 per annum.

From the year 1902, the deficit rose rapidly, and in 1909 it exceeded seventeen millions, being the largest in the history of the department.

Owing to the action of the Postmaster General this was reduced two-thirds in 1910, and the Commission is informed that for the fiscal

[1] Annual Report, 1910, p. 342.

year 1911 it has entirely disappeared. For the first time in many years the department will show a surplus in postal funds.

OPINIONS OF POSTMASTERS GENERAL AS TO MAIL COST OF SECOND-CLASS MATTER.

Our attention has been directed to the fact that the Postmasters General in their annual reports have repeatedly commented upon the increase in the volume of second-class matter, and upon the disparity between the supposed cost of transporting and handling it in the mails and the amount received as postage. Their estimates evidently reflected the opinion of the officers of the department, but they were based upon general experience in the service and not upon a scientific ascertainment of cost.

Postmaster General Bissell in 1894 estimated the cost of transporting all mail matter at 8 cents a pound approximately and, applying this to second-class matter paid at the pound rate, calculated a loss in transportation alone of nearly seventeen million dollars. Postmaster General Wilson and Postmaster General Gary made their calculations in a similar way. In 1901, Postmaster General Smith reported that the Government paid not less than 5 cents a pound for transportation of second-class matter and at least 2 cents a pound for handling. Postmaster General Payne in 1902 considered the cost of the delivery of periodicals to be 4 cents a pound. In 1905, Postmaster General Cortelyou estimated the cost of the service for all mail matter at between 5 and 8 cents a pound, and added that if it cost the Government as much as 5 cents a pound for second-class matter, paid at the pound rate and free in county, the loss at that time was about twenty-seven million dollars.[1]

WEIGHINGS OF 1906.

In view of the lack of definite knowledge as to the actual cost of second-class matter, Congress, by the act of June 26, 1906,[2] directed the Postmaster General to require a record from July 1 to December 31, 1906, of all second-class mail matter received for free distribution and also at the 1 cent a pound rate, "so as to show the weights in pounds, respectively by classes, of daily newspapers, weekly and other than daily newspapers, magazines, scientific periodicals, educational periodicals, religious periodicals, trade-journal periodicals, agricultural periodicals, miscellaneous periodicals, and sample copies."

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[1] Annual Reports, Post Office Department, 1894, pp. 31–33, Postmaster General Bissell; 1895, pp. 31–32, 1896, pp. 7–8, Postmaster General Wilson; 1897, pp. 6–7, Postmaster General Gary; 1901, pp. 13–16, Postmaster General Smith; 1905, pp. 75–76, Postmaster General Cortelyou.

[2] 34 Stat., p. 473, chap. 3546.

Weighing was had accordingly, and in addition we are advised that special reports were required of all weights of second-class mail dispatched from 427 post offices, covering 95 per cent of the entire weight of second-class mails, and showing the States of destination, upon which the average haul of each subclass was computed. This record was submitted to Congress on February 1, 1907.[1]

THE PENROSE-OVERSTREET COMMISSION.

Following the recommendation of the Postmaster General, Congress[2] by the same statute which directed the above weighings provided for a joint commission on second-class mail matter.

In the report of this Commission (known as the Penrose-Overstreet Commission), submitted to Congress on January 28, 1907,[3] it was stated that "the Post-Office Department is not now able and has never been able to furnish statistics as to the cost of various classes of mail matter class by class. Its inability so to do is demonstrated by the fact that from the beginning of the second-class controversy its only way of getting at the relative cost of second-class matter has been the crude method of dividing the total cost of the service by the total number of pounds carried and declaring the quotient to be the cost of carrying a pound of second-class matter." And, further, that "until the entire system of expenditure, accounting and bookkeeping in the Post-Office Department is completely overhauled and put upon a new basis it will be impossible, even with all the results from the present weighing" (referring to the weighing of 1906) "statistically to ascertain the cost of the respective classes."[4]

The Commission accordingly were of the opinion that the departmental inquiry of 1906 should be supplemented. It emphasized as strongly as possible "the necessity of such an examination into operating expenses of the Post-Office Department" as would enable Congress "ultimately to place postage rates upon a firm, just, and businesslike basis." The authorized weighing of 1906, it was said, did not go far enough. While that would "ascertain the weight of the various kinds of second-class matter and the average haul of each of those kinds," it would afford little help in determining the cost for the reason that "the weight of the other classes of matter not being ascertained, the proportionate weight of second-class matter, as well as the proportionate length of its haul," would still remain largely a matter of conjecture. There had also been a failure to provide for the counting of the pieces of second-class matter, and as the Commission said, "the cost of that class is by no means to be

[1] H. Doc. No. 651, 59th Cong., 2d sess.
[2] Act of June 26, 1906, chap. 3546, 34 Stat., p. 477.
[3] H. Doc. No. 608, 59th Cong., 2d sess.
[4] Id., p. 22.

measured simply by weight, the handling of the individual pieces and the weight of that piece being also essential factors."

The Commission therefore recommended a new weighing, similar to that of 1906, but extended so as to embrace for the period of six months, beginning July 1, 1907, the following:

(*a*) A weighing of all mail matter transported throughout the entire United States, class by class; (*b*) a counting of all pieces of mail matter, class by class; (*c*) a weighing and counting combined of the individual pieces of third, fourth, and second class matter, according to its natural subdivision, in such manner as to show not merely the average weight of a piece of such matter, but the average weight of the individual pieces according to the classification in respect of character and method of handling; (*d*) the ascertainment of the average haul of all classes of matter under each subdivision of those classes; and (*e*) the ascertainment of the average load of railway post-office cars, as well as the average load of storage cars.

The statistics thus obtained, it was believed, would furnish some evidence upon which the actual cost of the various classes of matter could be computed, but even this would be far from a complete basis. There must also be "an analysis of all operating expenses, with a view to their proper separation between the various kinds of service rendered." This was something that the Post Office Department had never attempted, and it was added that "if in fact such an analysis and separation of operating expenses is impossible, then that fact should be definitely and conclusively determined."[1]

The Commission was of opinion that the "whole business system" of the postal service should be examined by expert accountants and statisticians outside the department, precisely as if they were employed to reorganize a private enterprise. And in furtherance of this proposal it was recommended that in addition to the enactment into law of the other reforms discussed in the report and embodied in the bill which accompanied it, a commission should be created to make a thorough investigation of the Post Office Department in all its branches, with a view to determining, first, the true cost of every kind of service it renders; second, the proper division of the operating expenses of the whole service between the different classes of matter; and third, what modifications of the then system of bookkeeping and accounting, or what other system, were advisable.[2]

REPORT ON BUSINESS METHODS OF THE POST OFFICE DEPARTMENT.

In accordance with this recommendation, Congress by the act of March 2, 1907,[3] authorized the appointment of a joint commission, which was composed of those who had served on the former commission. Public accountants were employed in April, 1907, and after

[1] H. Doc. No. 608, 59th Cong., 2d sess., pp. 46, 47.
[2] Id., p. 48.
[3] Chap. 2513, 34 Stat., 1216.

a careful investigation of the methods of the department made their report under date of September 30, 1907, which the Commission submitted to Congress.[1]

WEIGHINGS OF 1907.

The statute which provided for the above inquiry also directed the Postmaster General to keep the following records:[2]

(1) From July 1, to December 31, 1907, inclusive, "of the weight in pounds, respectively, of first-class, second-class, free, paid-at-the-pound rate, and transient, third-class, and fourth-class matter and all franked and penalty matter and the equipment carried in connection therewith."

(2) For thirty days during said period, "of the weight of each of the classes above specified dispatched from such post-offices as he shall determine to be representative for the purpose." On this there was to be computed "in the most practicable way, the average haul of the mail of the different classes and subclasses" above mentioned.

(3) For seven days during said period, of the revenue received from each of the said classes and subclasses and of the number of pieces of each class and subclass, showing also for the first class the number of letters, postal cards, and other matter separately.

(4) For thirty consecutive days during said period, "for the purpose of ascertaining the average load of railway post-office cars other than storage cars, the average load of storage cars, and the average load in compartment cars."

The matter was placed in charge of the Second Assistant Postmaster General and was under the immediate supervision of a departmental committee; and under date of May 1, 1908, the Postmaster General submitted to Congress a report of the records which had been kept and of the computations based thereon.[3]

DEPARTMENT'S CALCULATIONS OF COST.

Availing itself of these statistics, the department undertook an analysis of all operating expenses in order to assign them to the different classes of mail matter according to the service performed. By order of October 17, 1908, this undertaking was confided by Postmaster General Meyer to a committee in the department, which was continued by Postmaster General Hitchcock. The work was completed in the following year and was submitted to the Postmaster General under date of November 1, 1909.[4] The report purported to show the cost of transporting and handling the several classes of mail matter, and of conducting the registry, money-order and special-delivery services for the fiscal year 1908.

We shall have frequent occasion to refer critically to these records and computations, but it may now be said that it is entirely evident

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[1] Preliminary Report of Joint Commission on Business Methods of Post Office Department and Postal Service, S. Rept. No. 201, 60th Cong., 1st sess.

[2] Act of Mar. 2, 1907, chap. 2513, 34 Stat., p. 1216.

[3] Special Weighing of the Mails of 1907, etc., H. Doc. No. 910, 60th Cong., 1st sess.

[4] Cost of Transporting and Handling the Several Classes of Mail Matter, etc. (Exhibit 3).

that the officers of the department devoted themselves to their difficult task with the sincere desire to use every means at their command to accomplish the purpose of Congress and to secure trustworthy results upon which an accurate determination and apportionment of cost could be made.

According to the calculations of the department, second-class mail matter cost the Government over 9 cents a pound for transportation and handling, causing a loss per pound of over 8 cents, and in his annual report for 1909, the Postmaster General reviewed various suggestions for increase of revenue.[1] At the hearings held by the Committee on the Post Office and Post Roads of the House of Representatives in January and February, 1910, the departmental computations were presented and many parties and organizations opposing an increase in rates were heard. Further consideration of the matter led to the adoption of the resolution authorizing the present inquiry.

COST OF TRANSPORTING AND HANDLING SECOND-CLASS MAIL MATTER.

As the ordinary records of the department do not show separately the expense incurred in connection with each class of mail matter, it is obviously necessary to deal with the particular period during which special information was obtained; and the evidence before the Commission chiefly relates to the fiscal year 1908 (July 1, 1907, to June 30, 1908). Similar records are not available for the subsequent years.

We shall, therefore, first examine the data submitted with respect to cost in the different branches of the post-office service for the fiscal year 1908, and after stating our conclusions for that period we shall inquire how far they may fairly be regarded as applicable to existing conditions.

FIRST. MAIL COST OF SECOND-CLASS MATTER FOR THE FISCAL YEAR 1908.

The evidence includes:

(1) The annual report of the operations of the department.

(2) Report of the weighings of all classes of mail matter originating in the United States for a period of six months from July 1, to December 31, 1907.

Instructions were sent to all postmasters, approximately 62,000, and reports were received from over 98 per cent of these and from all railway post offices.[2]

The estimated weight in pounds of each class of mail matter for the fiscal year 1908 was obtained by taking the results of the special weighings, 184 days, reducing the same to one day and multiplying by 366.

[1] Annual Report, 1909, p. 9.

[2] Report of Special Weighings of 1907, H. Doc. No. 910, 60th Cong., 1st sess., p. 5.

(3) Report of the weighing for thirty days from September 30, to October 30, 1907, of the mails originating at selected post offices, and the computation of the average haul thereon.

The selected post offices were as follows: Of the first class, 139; of the second class, 113; of the third class, 124; and of the fourth class, 434. The selection is said to have been made after an examination of the reports received of the weighing for the month of July, 1907, and "with careful consideration of their representative character as to class, amount of mails represented, and geographical distribution." As nearly as practicable similar representation was given to each State and Territory. The department states that "the volume of mails originating at these selected post offices represents approximately 85 per cent of the entire weight of mails originating in the United States, and approximately 23 per cent of the total weight of equipment used in connection with the mails for the entire United States for a like period."[1] Of the 810 post offices above mentioned, 790 reported. Computation was also made, based on special weighings for this period, of the average loads carried in railway post-office cars, storage cars, and compartment cars.

(4) Count for seven days from October 12 to 19, 1907, of the number of pieces of each class and the amount of revenue received from each. Reports were required from 62,655 post offices and over 97 per cent reported.[2] The estimated number of pieces of each class of mail matter for the entire year was taken by reducing the number shown by the count for seven days to one day and multiplying by 366.

There was also a record kept during these seven days—in all post offices of the first, second and third classes, and in the representative offices of the fourth class selected for the thirty days' weighing—of the weights of all the domestic mails (by classes and subclasses) embraced in the count of pieces.

In addition to these records, which related to the fiscal year 1908 or parts thereof, there were also available certain special reports with respect to other periods—some of which were used in the manner hereafter stated in making the computations for 1908—to wit:

(5) Weighings of second-class matter for six months from July 1, 1906, to December 31, 1906, by subclasses as defined in the act of June 26, 1906.[3]

(6) Count, seven days, November 13 to 20, 1910, on full and apartment railway post-office lines, in order to ascertain average number of letters to a package and of pieces to a sack.

(7) Count of mail matter collected and delivered on 39,794 rural routes during May, 1911.

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[1] Report of Special Weighings of 1907, H. Doc. No. 910, 60th Cong., 1st sess., pp. 13, 14. See Infra, pp. 38, 47.

[2] Id., p. 10.

[3] Ch. 3546, 34 Stat., 473.

(8) Report of time spent in handling mail in representative post offices during May, 1911.

(9) Count from August 25, to September 25, 1911, of newsdealers' packages of second-class matter, separately, and of all other pieces of second-class matter paid at the pound rate.

TOTAL MAIL MATTER.

The total amount of mail matter in the fiscal year 1908, by estimated weight and number of pieces, is thus shown in the table originally submitted by the department:[1]

"TABLE 3.—*Showing weight of mail and number of pieces, by classes, for the fiscal year 1908 (366 days), based on the special weighing of the mails of 1907, except foreign mail, the pieces of which are taken from report of Second Assistant Postmaster General, 1908 (p. 26).*

Class of mail.	Estimated weight in pounds.		Estimated number of pieces.	
First class:[1]				
Letters			5,632,612,998	
Postal cards			1,457,151,721	
Other matter			12,940,087	
Total for first class		157,502,610		7,102,704,806
Second class:				
Paid at pound rate—				
Subscribers' copies	679,048,950		3,184,691,329	
Sample copies	25,167,258		190,378,508	
Total paid at pound rate	704,216,208		3,375,069,837	
Free in county	52,867,236		340,830,075	
Transient[2]	24,437,454		73,261,958	
Local delivery—[3]				
1 cent a copy	1,416,420		9,415,298	
2 cents a copy	2,895,792		7,006,861	
Total for local delivery	4,312,212		16,422,159	
Total for second class		[4] 785,833,110		3,805,584,029
Third class		179,694,654		1,720,964,103
Fourth class		58,889,400		145,306,026
Congressional free (franked)		4,531,080		9,007,574
Departmental free (penalty)		43,092,474		231,716,587
Total paid matter	1,129,052,538		12,433,728,889	
Total free matter	100,490,790		581,554,236	
Grand total domestic matter		1,229,543,328		13,015,283,125
Foreign		[5] 60,814,956		[6] 308,001,320
Foreign pieces received (250,122,981)[7]				
Grand total, foreign and domestic		1,290,358,284		13,323,284,445
Equipment:				
Domestic		930,757,032		
Foreign		11,214,008		
Total, all mail and equipment		2,232,329,324		13,323,284,445

[1] The weight of the subclasses of first-class matter was not taken separately, but the number of pieces in these subclasses was counted during the seven days' count.

[2] Transient second-class matter includes matter of the second class mailed by other than publishers and news agents chargeable with postage at the rate of 1 cent for each 4 ounces or fraction thereof, fully prepaid by stamps affixed (sec. 455, Postal Laws and Regulations, 1902, p. 207).

[3] Local delivery second-class matter represents publications mailed at the office of origin, when such office is a free-delivery office, for delivery by carriers, and published less frequently than weekly, upon which the postage rate is 1 cent for each copy if weighing not more than 2 ounces; if weighing more than 2 ounces a copy, the postage rate is 2 cents a copy (sec. 472, Postal Laws and Regulations, 1902, p. 205).

[4] Does not include 6,747,857 pounds of second-class matter mailed by publishers in the United States to subscribers in Canada.

[5] Includes 6,747,857 pounds of second-class matter mailed by publishers in the United States to subscribers in Canada; and also includes both foreign mail dispatched and received as shown by the special weighing of the mails of 1907 (Table J, following p. 23), extended to show the weight for 1 year.

[6] Includes mail dispatched only, no record having been taken of foreign pieces received. Includes mail going to Canada and Mexico.

[7] No revenue, but considered in connection with handlings."

[1] Table 3; Exhibit 3, p. 5; Exhibits 7, 94, 200, p. 20; Exhibit 201, p. 5.

This table illustrates the difficulty of obtaining accurate results from records applicable only to a portion of the period to which the inquiry relates. The weight is derived from the six months' weighing, and assuming that to have been done correctly, this estimate would be accurate if the amounts of the different classes of mail matter in the second half year were equal to those of the first half. But the actual weight of second-class matter paid at the pound rate in the second six months (January 1 to June 30, 1908) was considerably less than in the six months preceding. There is an annual record of this class of matter and the amount reported for the fiscal year was 694,865,884 pounds,[1] instead of 704,216,208 pounds, as shown in the above table. The weight for the first half year (according to the special weighings) was 354,032,232 pounds,[2] leaving only 340,833,652 pounds for the second half year. It is stated by the department that there was also a decrease in the latter period of other classes of mail matter, as shown by a falling off in revenue from the sale of stamps and from third and fourth class postage paid in money.[3] It can not be said, however, that the decreases in weights of the different classes were in the precise ratio of the weight shown for the first six months.[4]

The number of pieces in the mails during the year as given in the above table is derived from the count of seven days (October 12, to 19, 1907), and the danger of inaccuracy in this estimate is increased by the shortness of the time for which the special record was made. Calculated on this basis, the number of pieces of second-class matter paid at the pound rate is stated to be 3,375,069,837. It is urged on behalf of the publishers that the volume of this class of matter was unusually large during the period selected, the magazines being at their highest point in number and weight on account of the Christmas advertising. With respect to fourth-class matter, on the other hand, it is thought by the department that the seven days' count showed a smaller number of pieces than the average for the weighing period of six months, and a revision of the above table was submitted to the Commission on October 20, 1911, in which the estimated number of

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[1] Annual Report, 1908, p. 64.

[2] Table I. Special Weighings of 1907, H. Doc. No. 910, 60th Cong., 1st sess., p. 23.

[3] Memorandum of Oct. 28, 1911, on Behalf of the Post Office Department in Reply to "Memorandum Filed on Behalf of the Publishers of Certain Magazines," pp. 4, 5.

[4] This, the department contends, is not to the disadvantage of paid-at-the-pound-rate matter, and a calculation has been presented to show that the percentage of decrease in weight in other classes of mail matter, taken together, was slightly in excess of the percentage of decrease in the weight of pound-rate matter of the second class. Id. (Appendix A.) By an error in the computation the decrease in the other classes of mail was multiplied by 3; the true percentage of decrease ascertained from the data used being about two-fifths of that of second-class mail. But the difference, which is only one per cent, does not greatly affect the result; and if, as is believed, the proportion of second-class mail in the second six months was abnormally small the result would not present the same inaccuracy for a normal year.

pieces of fourth-class matter was increased from 145,306,026 to 186,090,504, while the estimate for other classes was left unchanged.[1] The department makes its new calculation by multiplying the weight of fourth-class matter for the year, as estimated in the above table, by the number of fourth-class pieces to the pound as ascertained during the seven days. If this method were applied to second-class matter paid at the pound rate—that is, taking the average number of pieces to the pound of that sort of matter, as shown by the seven days' count,[2] and multiplying it by the estimated weight for the year—the total number of pieces would be 2,971,792,397, instead of 3,375,069,837. As the purpose of the table is to establish the relation between the different classes of mail, it is evident that whatever method of computation be adopted it should be used, not for fourth class only, but for all classes; and for this reason we can not accept the department's table as revised.

We deem it unnecessary, however, to make a recalculation for all classes of mail. If it were made, we should not be assured of absolutely exact results. The number of pieces ascertained from the seven days' count is used only in determining the ratio between the different sorts of mail, in order to apportion the amount paid for post-office cars and the other expenses of the railway mail service.[3] For this purpose we prefer to take the number of pieces actually counted during this period, instead of an estimated number which we have no reason to suppose would bring us nearer the truth with respect to the relation between the classes of mail. Accordingly we leave the table as the department originally presented it.

We may add that because these estimates can not be regarded as absolutely accurate, it does not follow that they should be discarded for the purpose of the present inquiry. We are dealing necessarily with approximations, and while in reaching a conclusion care must be taken to make suitable allowances for a margin of error, this does not appear to be so wide as to make it improper to use the estimates based on the six months' weighing and the seven days' count, in order to form a reasonable judgment as to cost.

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[1] Supplemental Statement on Behalf of the Post Office Department Showing Results of Tabulations and Estimates Submitted Oct. 20 and 21, 1911, pp. 7–10.

[2] This number is 4.22. See Table Y, Special Weighings of 1907, H. Doc. No. 910, 60th Cong., 1st sess., p. 33.

[3] See infra, pp. 58, 62.

APPORTIONMENT OF REVENUES.

The total revenue for the fiscal year 1908 is thus stated in the annual report of the department:[1]

"BRIEF SERIES No. 1 (TABLE 1).—*Showing the revenues of the postal service for the fiscal year 1908, according to statutory classification.*

Ordinary postal revenue, consisting of sales of postage stamps, stamped envelopes, newspaper wrappers, and postal cards	$173,374,712.02
Second-class postage (pound rate), paid in money	6,950,506.75
Receipts from box rents	3,833,303.55
Third and fourth class postage paid in money	3,033,943.45
Letter postage paid in money (made up principally of balances due from foreign administration)	107,482.11
Fines and penalties	101,272.01
Miscellaneous receipts	93,985.68
Receipts from unclaimed dead letters	36,644.06
Total ordinary postal revenue	187,531,849.63
Receipts from money-order business	3,677,755.44
Unpaid money orders more than 1 year old	269,058.34
Total	191,478,663.41"

In order to apportion this revenue among the several classes of mail matter, the department first deducted the amounts received for special services and foreign mail as follows:[2]

Registry fees	$2,889,912.80
Money-order fees	3,946,813.78
Special-delivery postage	1,373,451.40
Foreign mail	8,585,564.24
Total	16,795,742.22

The remainder of the revenue ($174,682,921.19) was divided by the department, in its first statement, according to the percentages found to exist in the count of revenue during the seven days (October 12 to 19, 1907), with the following result:[3]

Class.	Per cent.	Amount.
First class	75.74	$132,304,844.51
Second class	5.19	9,066,043.61
Third class	14.63	25,556,111.37
Fourth class	4.44	7,755,921.70
Total	100.00	174,682,921.19

On October 20, 1911, the department submitted a revised table introducing changes due to a new calculation of the revenue from

[1] Annual Report, 1908, pp. 253, 254; Supplemental Statement Oct. 20, 21, 1911; p. 4; Exhibit 3, p. 5; Exhibits 7, 94, 200, p. 17; Exhibit 201, p. 2.

[2] Exhibit 3, p. 6; Exhibits 7, 94, 200, p. 21; Exhibit 201, p. 6.

[3] Id. See Table O, Special Weighings of 1907, H. Doc. No. 910, 60th Cong., 1st sess., p. 26.

fourth-class matter. By this method, instead of taking the percentage of revenue as actually ascertained during the seven days, a new estimated revenue was computed for fourth-class matter by using the estimated weight for the year, reducing it to a seven days' basis, and multiplying the result by the number of pieces per pound and the product by the revenue per piece as shown during the seven days' count.[1] This estimate of revenue from fourth-class matter for the seven days amounted to $193,971.38, instead of $153,250.22, the actual revenue. By taking the former in connection with the actual revenues for the other classes of mail, new percentages were obtained for the seven days, in accordance with which the revenue for the year was apportioned as follows:

Class.	Per cent.	Amount.
First class	74.86	$130,767,634.80
Second class	5.13	8,961,233.86
Third class	14.45	25,241,682.11
Fourth class	5.56	9,712,370.42
	100.00	174,682,921.19

The object of the department, in its new computation, is to correct what it believes to be an error in the calculation for the year with respect to fourth-class matter, which, on the revenue previously assigned to it, shows a less amount received per pound than 16 cents, which would be the minimum if postage were fully paid.

We are of opinion that this change in method, if made as to one class, should be made as to all classes; but we see no sufficient reason for an elaborate calculation based on the number of pieces to the pound and revenue per piece, during the seven days, instead of taking the actual percentage of revenue for the different classes as found during that period. While the result may appear to be more satisfactory with respect to fourth-class matter, it is not necessarily correct as to the other classes. It would reduce the amount of revenue to be assigned to second-class matter, and we shall give to this class the benefit of the doubt by apportioning the revenue in the manner first proposed by the department. The difference is not a large one, and, from every point of view, it would seem clear that we shall thus assign to second-class matter all the revenue to which it can be entitled.

[1] Supplemental Statement Oct. 20, 21, 1911, pp. 6–11.

CLASSIFICATION OF EXPENDITURES.

The expenditures for the fiscal year 1908 are set forth in the following statement submitted by the department: [1]

"BRIEF SERIES NO. 2 (TABLE 2).—*Showing the appropriations for the postal service for the fiscal year 1908, according to the digest headings of congressional acts, and the expenditures thereunder.*[1]

Service.	Appropriations.	Expended to Sept. 30, 1908.
Office of the Postmaster General:		
Advertising	$5,000.00	$4,456.64
Post-office inspectors	1,136,770.00	1,060,847.90
Rewards	20,000.00	1,938.84
Printing and binding opinions of Assistant Attorney General	10,000.00	.....
Miscellaneous items	1,000.00	228.35
Office of the First Assistant Postmaster General:		
Compensation to postmasters	25,500,000.00	[2] 25,599,397.52
Compensation to assistant postmasters and clerks in post offices	31,367,000.00	30,903,351.75
Rent, light, and fuel at first, second, and third class post offices	3,229,000.00	3,193,820.94
Miscellaneous items at first and second class post offices	275,000.00	254,637.37
Canceling machines	275,000.00	274,011.09
Assistant superintendents, Division of Salaries and Allowances	34,600.00	30,747.03
City Delivery Service	26,914,300.00	26,343,201.19
Special delivery service	1,085,000.00	[2] 1,108,164.35
Miscellaneous items	1,000.00	689.95
Office of the Second Assistant Postmaster General:		
Inland mail transportation, star routes	7,250,000.00	7,125,025.30
Inland mail transportation, steamboat routes	829,000.00	763,333.75
Mail messengers	1,427,000.00	1,416,300.19
Pneumatic tubes	1,250,000.00	482,812.62
Regulation screen wagon	1,321,000 00	1,319,017.18
Inland mail transportation, railroad	44,660,000.00	43,588,012.70
Freight on railroads	250,000.00	211,497.07
Railway post-office car service	5,080,000.00	4,567,366.25
Inland mail transportation, electric and cable cars	870,000.00	791,733.33
Mail bags	447,500.00	447,500.00
Mail locks and keys	47,500.00	44,736.10
Rent and equipment of buildings for Post Office Department	43,855.00	43,511.31
Railway Mail Service	17,749,843.00	17,373,336.92
Transportation of foreign mails	3,270,500.00	2,844,679.63
Balance due foreign countries	179,000.00	138,052.82
Miscellaneous items	1,000.00	805.58
Office of the Third Assistant Postmaster General:		
Manufacture of postage stamps	509,000.00	494,046.04
Manufacture of stamped envelopes and newspaper wrappers	1,275,000.00	1,094,100.49
Distribution of stamped envelopes and newspaper wrappers	22,060.00	21,004.47
Manufacture of postal cards	214,000.00	180,152.98
Distribution of postal cards	5,720.00	5,716.59
Ship, steamboat, and way letters	500.00	124.76
Indemnities for losses by registered mail (first class)	10,000.00	1,461.67
Special counsel, suits second-class mailing privilege	2,787.68	2,783.33
Payment of money orders more than 1 year old	378,010.97	378,010.97
Miscellaneous items	1,000.00	802.34
Office of the Fourth Assistant Postmaster General:		
Stationery for postal and money-order service	95,000.00	94,059.75
Registered package, tag, official and dead-letter envelopes	200,000.00	197,178.74
Blanks, etc., for money-order service	200,000.00	198,968.65
Blanks, blank books, etc., for registry system	5,000.00	3,030.81
Supplies, City Delivery Service	80,000.00	67,050.60
Postmarking, rating, and money-order stamps	35,000.00	34,979.79
Letter balances, scales, and test weights	10,000.00	7,814.85
Wrapping paper	13,000.00	10,141.03
Wrapping twine	300,000.00	280,378.09
Packing boxes, sawdust, paste, and hardware	2,500.00	2,500.00
Printing facing slips, etc	60,000.00	42,746.36
Typewriters, copying presses, etc	80,000.00	78,699.74
Rural Delivery Service	34,985,000.00	34,355,209.04
Shipment of supplies	100,000.00	40,674.99
Distribution of official and registry envelopes	11,020.00	2,852.06
Miscellaneous items	1,000.00	520.30
Total	213,125,466.65	207,528,222.11

"[1] From Annual Reports of the Post Office Department, 1908, pp. 332–333.
"[2] Expended in excess of appropriation, but by authority of law."

[1] Supplemental Statement, Oct. 20, 21, 1911, pp. 5, 6; Exhibit 3, pp. 4, 5; Exhibits 7, 94, 200, pp. 18, 19; Exhibit 201, pp. 3, 4.

"To the above total expenditures of $207,528,222.11 should be added the following:

"Amount expended under legislative act for the Post Office Department	$1,622,564.24
"Amount appropriated under legislative act for the office of the Auditor for the Post Office Department	824,870.00
"Amount expended under legislative act for the office of the Assistant Attorney General for the Post Office Department	5,000.00
"Transportation accounts certified to the Secretary of the Treasury for credit of aided Pacific roads not charged to postal revenues	751,099.69
"Total	210,731,756.04
"From this should be deducted the amount paid ocean steamship companies under contracts in accordance with the act of March 3, 1891, for ocean mail service, in excess of amount which would have been allowed had the carrying steamers not been under such contracts	626,261.04
"Total expenditures applicable to the cost of the various classes of mail matter and the special services	210,105,495.00"

With respect to the various services performed, these expenses may be classified as follows (the items are taken from the department's records):

(1) Transportation, including—		
Railroad transportation	$44,267,507.13[1]	
Other transportation	11,898,222.37	
	56,165,729.50	
Railway post-office car service	4,638,971.51[2]	
		$60,804,701.01
(2) Handling, or distribution and delivery, including—		
Railway mail service	17,373,336.92	
Rural delivery service	34,355,209.04	
General post-office service, including salaries of postmasters, assistant postmasters, clerks and carriers, etc.	86,392,896.35	
Miscellaneous expenses—		
Directly assignable	8,130,207.57	
Not directly assignable	3,049,144.11	
		149,300,793.99
		210,105,495.00

[1] Includes $679,494.43 credit certified in favor of Central Pacific Railway Co., aided. Annual Report, 1908, p. 333.

[2] Includes similar credit of $71,605.26; Id.

APPORTIONMENT OF EXPENSES AMONG CLASSES AND SUBCLASSES OF MAIL.

In its computations, for the purpose of apportioning these outlays, the department has dealt with these classes and subclasses:

- First class.
- Second class:
  - Paid at the pound rate.
  - Free in county.
  - Transient.
  - To Canada.
  - Local delivery.
- Third class.
- Fourth class.
- Congressional free (franked).
- Departmental free (penalty).
- Foreign.
- Special service:
  - Registry.
  - Money order.
  - Special delivery.

It is insisted that there are other subdivisions of the principal classes which should have been separately considered, and that the cost should have been ascertained for each with respect to the particular service required. The contention may be said chiefly to concern handling (that is, distribution and delivery), and forms part of the criticism of the nature and adequacy of the data submitted under that head.

It is also urged that in the joint resolution providing for this Commission, Congress contemplated an inquiry with respect to the cost of each of the subclasses of second-class mail described in the act of June 26, 1906,[1] to wit: (1) daily newspapers, (2) weekly and other than daily newspapers, (3) magazines, (4) scientific periodicals, (5) educational periodicals, (6) religious periodicals, (7) trade-journal periodicals, (8) agricultural periodicals, and (9) miscellaneous periodicals. The department contends that the joint resolution refers to the classification which it has used in its apportionment. Without expressing an opinion as to the intent of Congress, it is sufficient to say that the special records under the act of March 2, 1907,[2] were not kept separately for the subclasses mentioned in the act of 1906, and that the only direct data before the Commission for the fiscal year 1908 relate to the classification made by the department.

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[1] 34 Stat., 473. [2] 34 Stat., 1216.

The facts ascertained by the special weighings of 1906 are available, however, and by the use of the ratios which these afford certain estimates have been submitted as to the relative cost of the subclasses described by the act of 1906. The value of these, and the inferences which may be drawn from them, will have appropriate consideration.[1]

A. APPORTIONMENT OF COST OF TRANSPORTATION.

1. RAILROAD TRANSPORTATION.

The cost of the transportation of mails by railroad for the fiscal year 1908, as above stated, was $44,267,507.13.

In its original estimate, the department attributed to second-class matter 52.99 per cent of this cost, or $23,457,352.03. By corrections made in the course of the present inquiry, this amount has been reduced $1,297,037.96, and in its calculation, as finally revised, the department places the share of second-class mail at $22,160,314.07, or 50.06 per cent.

The compensation paid the railroads for transporting the mails is a certain amount per mile per annum, based on the average weight per day carried over the whole length of the mail route. The average weight is ascertained every four years by special weighings for that purpose, a weighing being had annually in one of the four districts into which the country is divided.

The schedule of rates was fixed by the act of March 3, 1873.[2] This was reduced 10 per cent in 1876;[3] and a reduction of 5 per cent was made in 1878.[4] The act of March 2, 1907,[5] provided for a decrease of rates on routes where the average weight per day was between 5,000 pounds and 48,000 pounds, and on those where it was over 48,000 pounds, respectively. The following was the schedule in force during 1908:[6]

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[1] Infra, pp. 96, 97.

[2] Chap. 231, sec. 1, 17 Stat., 558.

[3] Act of July 12, 1876, chap. 179, 19 Stat., 78.

[4] Act of June 17, 1878, chap. 259, 20 Stat., 140.

[5] Chap. 2513, 34 Stat., 1212.

[6] It is still in force, save that by the act of May 12, 1910, chap. 230, 36 Stat., 362, the compensation on land-grant railroads for each 2,000 pounds carried in excess of 48,000 pounds was reduced from $17.10 to $15.39.

Schedule of rates for railway-mail transportation.

Average weight of mails per day carried over whole length of route.	Pay per mile per annum.			
	Rates allowable under act of Mar. 3, 1873.	Rates allowable under acts of July 12, 1876, June 17, 1878, and Mar. 2, 1907.	Rates allowable to land-grant railroads under acts of July 12, 1876, June 17, 1878, and Mar. 2, 1907.	Intermediate weight warranting allowance of $1 per mile under the law of 1873 and the custom of the department, subject to acts of July 12, 1876, June 17, 1878, and Mar. 2, 1907.
				Pounds.
200 pounds	$50.00	$42.75	$34.20	
200 to 500 pounds				12
500 pounds	75.00	64.12	51.30	
500 to 1,000 pounds				20
1,000 pounds	100.00	85.50	68.40	
1,000 to 1,500 pounds				20
1,500 pounds	125.00	106.87	85.50	
1,500 to 2,000 pounds				20
2,000 pounds	150.00	128.25	102.60	
2,000 to 3,500 pounds				60
3,500 pounds	175.00	149.62	119.70	
3,500 to 5,000 pounds				60
5,000 pounds	200.00	171.00	136.80	
5,000 to 48,000 pounds				80
For every additional 2,000 pounds over 5,000 pounds and under 48,000 pounds	25.00	20.30	16.24	
For every 2,000 pounds over 48,000 pounds	25.00	19.24	[1] 17.10	[2] 103.96 [3] [4] 116.96

[1] See note 6, supra, p. 31.
[2] Nonland grant.
[3] Land grant.
[4] 129.95 pounds since act of May 12, 1910.

The department has divided the cost of railroad transportation among the several classes of mail upon the basis of the pound-miles deemed to be attributable to each class. In criticism of this method it is said that it takes no account of the effect of the heavy weight of second-class matter in reducing, in accordance with the foregoing schedule, the amount paid for the transportation of all classes.

On this point, the public accountants in their report to the Joint Commission charged with an examination into the business methods of the department said, referring to the cost system they proposed: "However carefully and exactly expenses are distributed there will always remain certain elements which, theoretically, should be considered in arriving at cost, but which are incapable of accurate expression in figures or of being worked into any practicable system. Such elements in the present case would include the extra cost occasioned by the frequency and rapidity of service and other considerations of public utility, the preferential treatment accorded to first-class mail, and the effect of the large volume of second-class mail in reducing the average rate of transportation for all classes, owing to the compensation being fixed on a sliding scale according to the total weight conveyed. No attempt has been made to reflect these

elements in the cost system proposed, though they should not, of course, be ignored in the formulation of any conclusions from the figures derived by that system."[1]

We have nothing to add to this, save that the statements on behalf of the department would seem to permit the conclusion that on the heaviest weight routes where a very large amount of second-class matter is carried, the daily average weight of 48,000 pounds would be reached irrespective of second-class matter and hence the minimum rate on such routes would be payable without it. What effect, if any, the volume of second-class matter may have in securing a lower average rate of compensation on routes where the average daily weight is less than 48,000 pounds, or on routes where it is not largely in excess of that amount, is not shown.

It is further contended that to apportion the entire cost of railroad transportation according to the pound-miles of each class of mail is not proper because of the difference in the rates paid on different routes, and that this method produces an unfair result with respect to second-class matter, as it is said that the bulk of it is transported on the routes where the minimum rate prevails.

In order to decide the question with certainty it would be necessary to ascertain the amount of each class of mail transported on each one of over 3,000 routes in the country which were used in 1908, and to apportion the amount paid on each route to each class accordingly. This appears to be impracticable. At all events, we have not these data.

It appears, however, from a statement submitted by the department, that of the total annual compensation paid on the routes in operation July 1, 1908, about 73 per cent was paid on routes carrying an average of over 5,000 pounds daily, including those carrying over 48,000 pounds daily; that over 34 per cent was paid at the minimum rate on the latter routes; and that the highest-paid routes (carrying 211 pounds or less) received a little more than 2 per cent of the entire amount paid.[2]

Taking into consideration the fact that second-class matter is transported on all mail routes, and the large percentage of the entire mail carried on routes where the low rates are in force, we think that a reasonable approximation may be made by a division of the whole expense of railroad transportation on the pound-mile basis. As was said by the expert accountants in the report to which we have referred, explaining their proposed distribution of cost, " It is assumed that the benefits of the transportation service in the aggregate are shared by the various classes of mail in proportion to the weight

[1] S. Rept. No. 201, 60th Cong., 1st sess., p. 88.
[2] Exhibit 95.

carried for each, including equipment and the distance hauled, and the distribution of the expense is made on the basis of ton-miles."[1]

The decreased expense due to the recent introduction of the system of transporting certain second-class mail by fast freight, and to other economies, must, of course, be considered in its relation to present cost as compared with the year 1908.[2]

The apportionment made by the department, in its final revision, is shown in the following tables, the first of which (Table 4, revised)[3] gives the weight of mails and of equipment attributed to the several classes, and the second (Table 5, revised),[4] the division of expenses for railroad transportation according to this weight and the average haul.

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[1] S. Rept. No. 201, 60th Cong., 1st sess., p. 95.

[2] See infra, pp. 87, 88.

[3] Supplemental Statement of Second Assistant Postmaster General Oct. 20, 21, 1911, p. 13.

[4] Id., pp. 14, 15.

"BRIEF SERIES NO. 4 (TABLE 4, revised).—*Apportionment of the weight of equipment carried on railroads to the several classes of mail matter.*

[Substituted Sept. 13, 1911, by letter, for table submitted to the Commission Aug. 25, 1911, typewritten record, p. 2100, and Exhibit 201, p. 7.]

1	2	3		4				5	6	7	8	9	10	11
Items.	Weights of mail.	Percentages of mail handled in—[1]		Weights of mail transported.				Number of pieces per pound in sacks.[2]	Number of pieces in sacks.	Weight of sack equipment.	Weight of pouch equipment.[3]	Total weight of equipment.	Per cent.[4]	Weight of empty equipment.
		Pouches.	Sacks.	In pouches.		In sacks.								
				Weight.	Per cent whole.	Weight.	Per cent whole.							
CLASSES OF MAIL.	*Pounds.*	*Per ct.*	*Per ct.*	*Pounds.*		*Pounds.*				*Pounds.*	*Pounds.*	*Pounds.*		*Pounds.*
First class	118,221,459	100	.....	118,221,459	62.01	.....	.....	.....	.....	.....	272,098,430	272,098,430	50.39	34,207,052
Second class:														
Paid at pound rate	692,624,512	.....	100	.....	.....	692,624,512	74.02	4.22	2,922,875,441	75,193,242	.....	75,193,242	13.92	9,449,537
Free in county	24,318,929	.....	100	.....	.....	24,318,929	2.64	6.90	167,800,610	2,641,378	.....	2,641,378	.49	332,635
Transient	22,133,002	.....	100	.....	.....	22,133,002	2.40	2.93	64,849,696	2,398,492	.....	2,398,492	.44	298,692
To Canada	6,747,857	.....	100	.....	.....	[5] 6,747,857	.73	1.98	13,360,757	728,656	.....	728,656	.14	95,038
All second class	745,824,300	.....	100	.....	.....	.....	.....	.....	.....	80,961,768	.....	80,961,768	14.99	10,175,902
Third class	168,140,288	30	70	50,442,086	26.46	117,698,202	12.76	8.56	1,007,496,609	12,771,719	116,105,861	128,877,580	23.87	16,204,055
Fourth class	56,168,710	.....	100	.....	.....	56,168,710	6.09	3.16	177,493,123	6,102,493	.....	6,102,493	1.13	767,096
Franked	4,459,942	55	45	2,452,968	1.29	2,006,974	.22	1.99	3,993,878	222,645	5,660,490	5,883,135	1.09	739,942
Penalty	[6] 30,029,120	65	35	19,518,928	10.24	10,510,192	1.14	5.54	58,226,464	1,143,585	44,932,880	46,076,465	8.53	5,790,557
Total	.....	.....	.....	190,635,441	.....	932,208,378	.....	.....	[7] 4,416,096,578	101,202,210	438,797,661	539,999,871	100.00	67,884,604
Registry equipment	([8])	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	8,289,168	.....	1,169,857
Foreign equipment	([9])	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	5,753,492	.....	1,722,512
Total	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	554,042,531	.....	70,776,973

[1] The percentages in third class, franked and penalty (column 3) were based upon estimates submitted by division superintendents, Railway Mail Service, from tests made on the basis of weights and pieces, from which a complete estimate was made and which is used.

[2] From Table Y, Special Weighing of 1907 report.

[3] After sack, registry and foreign equipment were ascertained, the total was deducted from total weight of equipment transported. The remainder, representing pouch equipment, was apportioned on the basis of the percentages of the weights of mails of the several classes carried in pouches of the total weights of all mails carried in pouches.

[4] Percentages of weight of equipment applied to empty equipment less local delivery.

[5] Second-class matter mailed by publishers to subscribers in Canada.

[6] 8,512,789 pounds originated at Dayton, Ohio, not included. Dispatched in cases; no equipment used.

[7] Total number of pieces in sacks divided by 150, average number of pieces in a sack, the accepted average used by the Railway Mail Service in estimating number of pieces handled, equals 29,440,643 dispatches of sacks used, multiplied by 55 ounces, weight per sack, equals 101,202,210 pounds of sack equipment, which was apportioned on basis of percentages of weights transported in sacks shown in column 4.

[8] Registry equipment. Based on actual number of exchanges of pouches and sacks multiplied by the average weight of registry pouches, sacks, and locks.

[9] Foreign equipment. Two-thirds of the weights of Foreign Equipment reported in Special Weighing of 1907."

"BRIEF SERIES NO. 5 (TABLE 5, revised).—*Showing the apportionment of expenditures for railroad transportation for the fiscal year 1908 to each class of mail matter and to the registry service, based upon the weight and average haul of the mail, equipment, and empty equipment. (Revised on basis of Table 4, revised.)*

[Substituted Sept. 13, 1911, by letter, for table submitted to the Commission Aug. 25, 1911, typewritten record, p. 2100, and Exhibit 201, pp. 8 and 9.]

1	2	3	4	5	6	7	8	9	10	11	12	13
Items.	Weight of mail transported.[1]	Average haul of mail.[2]	Pound-miles for mail.	Weight of equipment transported.[3]	Average haul of equipment.[2]	Pound-miles for equipment.	Weight of empty equipment transported.[3]	Average haul of empty equipment.[2]	Pound-miles for empty equipment.	Total pound-miles mail, equipment, and empty equipment.	Per cent.	Expenditures for railroad transportation apportioned to each class and service named.
	Pounds.	*Miles.*		*Pounds.*	*Miles.*		*Pounds.*	*Miles.*				
First class	118,221,459	507	59,938,279,713	272,098,430	401	109,111,470,430	34,207,052	346	11,835,639,992	180,885,390,135	18.86	$8,348,851.84
Second class:												
Paid at pound rate—												
Subscribers	667,573,023	602	401,878,959,846	75,193,242	401	30,152,490,042	9,449,537	346	3,269,539,802	457,170,939,587	47.67	21,102,320.65
Samples	25,051,489	873	21,869,949,897	.....	.....	.....	.....	.....	.....	.....	.....	.....
Free in county	24,318,929	7	170,232,503	2,641,378	7	18,489,646	332,635	7	2,328,445	191,050,594	.02	8,853.50
Transient	22,133,002	698	15,448,835,396	2,398,492	401	961,795,292	298,692	346	103,347,432	16,513,978,120	1.72	761,401.12
To Canada	6,747,857	881	5,944,862,017	728,656	401	292,191,056	95,038	346	32,883,148	6,269,936,221	.65	287,738.80
Total second class	745,824,300	.....	445,312,839,659	80,961,768	.....	31,424,966,036	10,175,902	.....	3,408,098,827	480,145,904,522	50.06	22,160,314.07
Third class	168,140,288	672	112,990,273,536	128,877,580	401	51,679,909,580	16,204,055	346	5,606,603,030	170,276,786,146	17.76	7,861,909.27
Fourth class	56,168,710	687	38,587,903,770	6,102,493	401	2,447,099,693	767,096	346	265,415,216	41,300,418,679	4.31	1,907,929.56
Franked	4,459,942	750	3,344,956,500	5,883,135	401	2,359,137,135	739,942	346	256,019,932	5,960,113,567	.62	274,458.54
Penalty	38,541,909	782	30,139,772,838	46,076,465	401	18,476,662,465	5,790,557	346	2,003,532,722	50,619,968,025	5.28	2,337,324.38
	[4] 8,512,789											
	30,029,120											
Foreign	[5] 36,044,732	[6] 620	22,347,733,840	5,753,492	401	2,307,150,292	1,722,512	346	595,989,152	25,250,873,284	2.63	1,164,235.44
Registry service	.....	.....	.....	8,289,168	[7] 507	4,202,608,176	1,169,857	346	404,770,522	4,607,378,698	.48	212,484.03
Total	1,167,401,340	.....	712,661,759,856	554,042,531	.....	222,009,003,807	70,776,973	.....	24,376,069,393	959,046,833,056	100.00	44,267,507.13

[1] Estimated upon the special weighing figures, after deducting the weight of local domestic mail matter and foreign mail receiving no railroad transportation.
[2] See Special Weighing report, House Doc. No. 910, p. 58, Table BB.
[3] The method of apportioning the equipment, as shown in this table, is given in detail in Brief Series No. 4 (Table 4, revised).
[4] Amount of mail dispatched from stamped envelope agency without equipment, and not considered in the apportionment of equipment and empty equipment to departmental free (penalty) matter.
[5] Does not include 6,747,857 pounds second-class matter mailed by publishers in the United States to subscribers in Canada.
[6] Average haul of all classes of mail matter, paid and free.
[7] Average haul of first-class matter.

NOTE.—The weights shown in second column of the above table are the same as the weights given in Brief Series No. 3 (Table 3), less the weights of local delivery for domestic mails; and in the foreign mail, less the Canadian mails and one-third of the remainder of the foreign mail estimated as not being transported on railroads."

We may first examine the computation of weight of mail and equipment as shown in these revised tables.

Weight of mails transported by railroad.

To ascertain the weight of domestic mail transported by railroad, the department deducted from the estimated weight for the year, based on the six months' weighing, the estimated weight of local-delivery mail, and the result is set forth in the amounts appearing in Table 4, revised, column 2, which are carried forward into Table 5, revised, column 2.[1] In the case of foreign mail, one-third was treated as not receiving railroad transportation, this being the opinion, it is said, of experienced postal officials.[2]

It has already been observed that in the case of second-class matter paid at the pound rate, the estimate for the fiscal year 1908 was in excess of the actual amount by about 9,000,000 pounds (or about 1⅓ per cent), due to the fact that the estimate was made on the showing of the six months' weight. This excess, less the proportionate deduction for local delivery, was carried into the above tables; but the weights for the year were calculated upon the same basis for all classes of mail and, for the reasons already stated, the proportions thus established may be taken for the purposes of this computation.[3]

The amounts deducted for local delivery (with the exception of free-in-county matter) were ascertained from the thirty days' weighing from October 1 to 30, 1907, in 790 representative post offices.[4] That is to say, there was deducted from the estimated weight for the year the same percentage for local delivery as was shown during the thirty days. In this way, in the case of second-class mail, deduction was made from paid-at-the-pound-rate matter (subscribers' and sample copies) and from transient matter, as the amount of local delivery of each was reported in the thirty days' record.

But, as to free-in-county matter, there was no such report, and in the table first submitted by the department suitable deduction was not made in this case for local delivery.[5] Accordingly, the department sent telegrams to a few post offices asking what percentage of free-in-county matter was dispatched on railroads. Nine answers were received, as follows:[6] "Maquoketa, Iowa, 30 per cent; Crisfield, Md., 35 per cent; Hastings, Minn., 36 per cent; Berea, Ohio, 50 per cent; Pulaski, Tenn., 40 per cent; Clay Center, Neb., 62 per cent; Hinton, W. Va., 49 per cent; Eldorado, Ark., 54 per cent; Williams-

[1] Supra, pp. 35, 36.
[2] Statement of Second Assistant Postmaster General, Exhibit 200, p. 23.
[3] Supra, pp. 24, 25.
[4] Report of Weighings of 1907. H. Doc. No. 910, 60th Cong., 1st sess., Table DD.
[5] Exhibit 200, Table 4, p. 25, Typewritten Record, p. 1800.
[6] Typewritten Record, pp. 1802–1804.

port, Pa., 58 per cent." From this it was assumed that the average amount carried on railroads was 46 per cent, and that the remainder, 54 per cent, was local delivery.

The calculations of the department appear in the following table,[1] in the first column of which are stated the estimated weights of mail for the year (except foreign mail), as they are found in Table 3,[2] and in the last column are the weights used in revised Tables 4 and 5 [3] as having railroad haul.

"Computation of weights of mail having railroad haul.

Class.	Total weight.	Local delivery.	Weight local delivery.	Net weight having railroad haul.
	Pounds.	*Per cent.*	*Pounds.*	*Pounds.*
First	157,502,610	24.94	39,281,151	118,221,459
Second:				
Subscribers	679,048,950	1.69	11,475,927	[1] 667,573,023
Samples	25,167,258	.46	115,769	25,051,489
Free in county	[2] 52,867,236	54.00	28,548,307	24,318,929
Transient	24,437,454	9.43	2,304,452	22,133,002
Third	179,694,654	6.43	11,554,366	168,140,288
Fourth	58,889,400	4.62	2,720,690	56,168,710
Franked	4,531,080	1.57	71,138	4,459,942
Penalty	43,092,474	10.56	4,550,565	38,541,909
Foreign	[3] 54,067,099			[4] 36,044,732

[1 Inaccurately stated in original as 657,573,023.]
[2] 52,867,236 pounds less 54 per cent not having railroad haul; this per cent based on reports from post offices.
[3] 60,814,956 pounds less 6,747,857 pounds to Canada.
[4] Two-thirds of foreign receiving railroad haul."

The deductions for local delivery, by taking the percentages found during the thirty days, are criticized; and it is said that the amount of local delivery mail of each class for the thirty days, extended to one year by dividing by 30 and multiplying the quotient by 366, should have been treated as 85 per cent of the whole amount of local delivery matter upon the ground that the mail in 790 selected post offices is stated by the department to represent approximately 85 per cent of the entire weight of all mail originating in the United States.[4] Thus, by way of illustration, it is calculated that the amount of local-delivery mail of the first class, being 1,974,892 pounds for the thirty days, if extended to a year would be 24,093,670 pounds and, raised from 85 per cent to 100 per cent, would give 28,345,494 pounds to be deducted from the weight of first-class matter; whereas the department on its method had deducted 39,281,151 pounds, an excess, it is urged, to the prejudice of second-class matter. The fallacy lies in the assumption that the weight of first-class mail in the selected offices was 85 per cent of the total weight of that class; and the same argu-

[1] Exhibit 98.
[2] Supra, p. 23.
[3] Supra, pp. 35, 36. But see as to penalty matter, Table 4 revised, note 6, and Table 5 revised, note 4.
[4] Report of Weighings of 1907, H. Doc. No. 910, 60th Cong., 1st sess., pp. 13, 14.

ment which advances these criticisms contends, on a tabulated comparison, that the weight in the selected offices was only about 62 per cent of the entire weight of first-class mail, and in the case of second-class mail was about 93 per cent.

We are also of opinion, having in view the necessity—to which we shall presently advert—of making a selection of offices for the purposes of calculating average haul, that the offices actually selected should be regarded, in the light of their number and character, as sufficiently representative to afford a basis for practical judgment.

In regard to free-in-county matter, however, the replies from the offices above mentioned are too few to furnish an adequate basis for a proper estimate as to the amount of free-in-county matter having railroad haul. The total estimated weight of free-in-county matter for the year was 52,867,236 pounds (an excess over the amount shown by the annual report of 1,165,959 pounds[1]), and in Table 5 the average haul is stated at 7 miles, so that the share of transportation expense on the assumption of 24,318,929 pounds carried on railroads, with the amount of equipment stated, is only two-hundredths of 1 per cent.[2] It is obvious, therefore, that a mistake in the estimate, if any, would play an insignificant part in the division of the cost of railroad transportation.[3]

Weight of equipment transported by railroad.—A more serious difficulty is presented in the endeavor to ascertain the weight of equipment and of empty equipment hauled on railroads, and the amount of each which should be attributed to each class of mail. It is said that it was impracticable to take the weight of equipment separately as to each class of mail and that the respective amounts had to be calculated from the whole weight.

The equipment was weighed during the weighing period of six months under "General Letter of Instruction C," dated July 19, 1907 (amplifying earlier instructions), as follows:[4]

> It is important to ascertain the weight of equipment divided into two classes: First, that which is dispatched containing the mails originating at post offices, and, second, that which is dispatched empty. Therefore you are instructed to weigh or estimate the weights of equipment dispatched from your office, keeping the weights and records of the two classes separate. The first class will include only that equipment which is used by you in dispatching mails originating at your office. It is the equipment necessary to inclose and handle these mails. *It does not include equipment that comes to your office or passes through your office in transit containing mail.* The second class includes all empty equipment dispatched from your office for any purpose or to any place. You will note that you are to weigh or estimate the weight

[1] Annual Report, 1908, p. 279.

[2] Supra, p. 36. Table 5 revised, column 12.

[3] It may be contended that the free-in-county matter is carried in larger proportion than other mail on the smaller and higher paid routes, but as to this we have no data.

[4] Report of Weighings, 1907, H. Doc. No. 910, 60th Cong., 1st sess.

of only equipment dispatched; therefore *you should not weigh equipment that comes to your office with mail from another office or that passes through your office in transit*, as it will have been weighed by the office of its dispatch. If, however, for the purposes of separation or otherwise handling mails in transit it becomes necessary for you to use additional equipment, other than that which comes into your office with the mails in transit, for the purpose of dispatching the mails properly, you should weigh such additional equipment, as its use originates at your office.

Accordingly, while the mails were weighed only once, the equipment as it was reused in dispatching mails originating at post offices would be reweighed. In this weighing and reweighing of equipment no distinction was made between the different classes of mail in connection with which the equipment was used. And on the evidence before us we do not think it can properly be said that this manner of taking the weight of equipment operated to the disadvantage of second-class matter.

The apportionment made by the department, while in part resting upon the results of the special weighings, also involves estimates derived from general observation and experience.

The total estimated weight of equipment for the year, based on the six months' weighings (domestic mail), is 930,757,032 pounds.[1] From this there were first deducted 107,110,998 pounds, the estimated weight of empty equipment for the year, also based on the six months' record.[2] And from the remainder (823,646,034 pounds) there was taken the weight of equipment for the year which was regarded as attributable to steamboat, special, rural delivery, star-route, local delivery, and registry services. Originally the estimated equipment in the mail messenger service was also deducted, but this deduction was admitted to be erroneous, as all the equipment on that service is transported on railroads.[3]

The deductions for these various services (except local delivery and registry) were obtained by a departmental estimate of "the number of trips made yearly and the average weight of equipment used per trip, based on the average weight of pouches and sacks."[4]

The amount of local delivery equipment was reached by deducting from the total estimated weight for the year that percentage which was shown for local delivery during the thirty days' weighing in October, 1907.[5]

The weight of equipment carried in the registry service was estimated "on the basis of the daily exchanges of pouches and sacks and

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[1] Table 3, supra, p. 23.

[2] Report of Weighings of 1907, H. Doc. No. 910, 60th Cong., 1st sess. Table I, p. 23.

[3] Typewritten Record, pp. 1892, 2101.

[4] Exhibit 200, p. 23. It may be that a small part of the equipment above deducted was actually carried on railroads, but it is insisted by the department that such an amount would be so small as to be negligible and would probably not affect any of the percentages given in the tables relating to transportation cost. (Typewritten Record, pp. 1887, 1894–1896, 1899.)

[5] Exhibit 200, p. 23; Exhibit 97.

their average weights."[1] This amount (8,289,168 pounds) was dealt with separately in the transportation tables.[2]

The summary of the calculation, as it was submitted by the department (before the correction was made as to mail messenger equipment) is:[3]

"*Equipment deducted.*

	Pounds.
"Steamboat service	1,346,319
Special service	2,365,440
Rural delivery service	18,040,656
Mail messenger service	59,636,200
Star route service	89,069,760
Local delivery	156,245,652
Registry service	8,289,168
	334,993,195 pounds.

Total equipment	930,757,032	
	107,110,998	
	823,646,034	
Less	334,993,195	
	488,652,839	Equipment transported on railroads.
Less registry	8,289,168	
	480,363,671	Equipment less registry."

There should be added the mail messenger equipment, as follows:

	Pounds.
Total as shown above	480,363,671
Mail messenger equipment (deducted in error)	59,636,200
	539,999,871

This is the total domestic equipment, less registry, given in Table 4, revised, column 9,[4] as transported on railroads in connection with the mails. But it will be observed that the registry equipment, in the foregoing calculation, is deducted twice.[5] Making the needed correction, the total domestic equipment so transported, less registry, would be 548,289,039 pounds.

In order to apportion this total weight of equipment (as it appears in the table) among the different classes of mail, it was first divided between pouches and sacks. The sack equipment was estimated and the remainder was treated as pouch equipment. The following is the method of computation:

All mail of the second and fourth classes is carried in sacks, and that of the first class in pouches. It was estimated that 70 per cent of third class, 45 per cent of congressional (franked), and 35 per cent of departmental (penalty) were transported in sacks, and the residue in each case in pouches. These percentages are said to have

[1] Exhibit 200, p. 24; Exhibit 97.
[2] Supra, pp. 35, 36. Table 4 revised, column 9; Table 5 revised, column 5.
[3] Exhibit 97.
[4] Supra, p. 35.
[5] Exhibit 97. It was deducted only once in the estimate first made. Exhibit 200, pp. 23, 24.

been based "upon estimates submitted by division superintendents, Railway Mail Service, from tests made on the basis of weights and pieces, from which a complete estimate was made."[1] The number of pounds in sacks and in pouches of each class of mail, and the percentage for each class of the whole weight of mail transported in each sort of equipment, were computed accordingly. The results are stated in Table 4, revised, column 4.

The weights of the different classes carried in sacks having been ascertained, the number of pieces in sacks were calculated by using the ratios found during the seven days' count, October 12 to 19, 1907.[2] These ratios are given in column 5, and the number of pieces in sacks in column 6, of Table 4, revised.

From general experience, it has long been assumed in the department that there are 150 pieces to a sack. Hence the total number of pieces in sacks were divided by 150 and the quotient was multiplied by 55 ounces (the weight of the sack), in order to obtain the total weight of sack equipment. This amounted to 101,202,210 pounds.[3] This total was divided among the several classes of mail carried in sacks according to the percentage of the weight of each class so carried.[4]

The total weight of sack equipment was then deducted from the total weight of equipment (less registry) which had been found to be transported on railroads in connection with the domestic mails (539,999,871 pounds), and the remainder (438,797,661 pounds) was treated as the weight of pouch equipment. This was divided according to the weight of the several classes carried in pouches.[5] And where a class of mail was carried partly in pouches and partly in sacks the two were added together to give the total weight of equipment for such classes.[6]

With respect to empty equipment: From the total estimated weight for the year, based upon the six months' weighings, that is, 107-

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[1] Supra, p. 35, Table 4, revised, column 3, note 1.

[2] Report of Weighings of 1907, H. Doc. No. 910, 60th Cong., 1st sess. Table Y, p. 33.

[3] Table 4, revised, column 7, note 7.

[4] See Table 4, revised, column 4; the results are set forth in Table 4, revised, column 7. In an intermediate calculation which was substituted for original Table 4, it was assumed that there were 52.14 pieces to the sack, and the result was that the weight of sack equipment for second-class matter was raised from 84,862,824 pounds (as it was stated in the original table, Exhibit 200, p. 25) to 230,085,182 pounds (Table 4*a*, Typewritten Record, pp. 1582–1586). It appeared that the ratio of 52.14 had been derived from a count kept in the railway mail service in November, 1910, but in this count each bundle of pieces was taken as one piece, while the total number of pieces shown in Table 4 was computed on the basis of individual pieces, and to ascertain the number of sacks the divisor should be the average number of individual pieces to a sack. This calculation (Table 4*a*, Typewritten Record, pp. 1902–1909, 1911) was therefore withdrawn and Table 4, revised, was introduced in its place.

[5] Table 4, revised, column 8.

[6] Table 4, revised, column 9.

110,998 pounds,[1] there was taken the percentage for local delivery shown by the thirty days' weight in October, 1907.[2] The remainder was treated as transported on railroads and was divided among the different classes of mail according to the percentage of the total weight of equipment, used in connection with the mails, which had been attributed to each class.[3]

Additions to the total weight of used equipment and empty equipment, respectively, were made for registry and foreign services.[4]

In this way, the basis was obtained for the computation of pound-miles.

Objection has been made to the method of apportioning the total weight of sack equipment among the several classes of mail. As this total weight was found by ascertaining the number of sacks from the total number of pieces in sacks, according to the assumed number in each sack, it is contended that the same method should have been used in determining the weight of sack equipment for each class. While the total weight of sack equipment, for all classes combined, would be the same, this calculation would give different proportions for the several classes. Thus, the weight of rack equipment used in connection with the transportation of second-class matter would be 72,620,314 pounds, instead of 80,961,768[5] pounds. It is urged by the department, on the other hand, that there are more likely to be on the average the same number of pounds than the same number of pieces to a sack where the weight of the pieces differs, as it does with respect to the different classes of mail carried in sacks. But in order to give the benefit of the doubt to second-class matter, where doubt arises, we shall use in the computation of the cost of transportation the lower of the two amounts shown in the following statement:

Items.	Weight of sack equipment. Table 4, revised, column 7.	Weight of sack equipment apportioned to each class on basis of 150 pieces to sack.
CLASS OF MAIL.	*Pounds.*	*Pounds.*
First class		
Second class:		
Paid at pound rate	75,193,242	66,982,561.8
Free in county	2,641,378	3,845,430.6
Transient	2,398,493	1,486,138.6
To Canada	728,656	306,183.9
All second class	80,961,768	72,620,314.9
Third class	12,771,719	23,088,463.2
Fourth class	6,102,493	4,067,550.3
Franked	222,645	91,525.5
Penalty	1,143,585	1,334,356.1
Total	101,202,210	101,202,210

[1] Supra, p. 40; Report of Weighings of 1907, H. Doc. No. 910, 60th Cong., 1st sess., Table I, p. 23.
[2] Id., Table DD; Typewritten Record, p. 1879.
[3] Table 4, revised, column 11.
[4] Id., columns 9, 11.
[5] Id., column 7.

Again, as we have seen, the correction of the error due to the double deduction of registry equipment makes the total weight (less registry) used in railroad transportation in connection with the domestic mails 548,289,039 pounds;[1] and on this basis, after deducting the total weight of sack equipment, there would be left for pouch equipment 447,086,829. Making this change, and taking the lower amount for the sack equipment of second-class matter obtained by the calculation on the basis of number of pieces, we should have different percentages for the several classes of mail of the total weight of equipment. Thus, the percentage for second-class matter, instead of being 14.99 per cent,[2] would be approximately 13.25 per cent, and the weight of empty equipment attributable to second-class matter, accordingly, would be 8,994,710 pounds, instead of 10,175,902 pounds.[3]

These changes, however, manifestly have a very slight effect upon the apportionment of expense of railroad transportation.[4]

More fundamental is the criticism that in this computation of the weight of equipment we are dealing in large measure with general estimates which do not rest on the special weighings but on the credit to be accorded to departmental opinion. Thus, with respect to the deductions for equipment not used on railroads, the percentages assigned to sack equipment in the case of third class, fourth class, franked and penalty matter, and the number of pieces to a sack, we have no adequate primary data on which to base a calculation of averages. We are not impressed with the argument that because of the corrections and recalculations found to be necessary in the course of this inquiry, the judgment of the department should be ignored. These revisions are to be considered in the light of the extreme difficulty of the problem and the complexities of the computations. The general estimates to which we have referred can not be said to be disproved; they are derived from long experience in the service and, in the absence of proof of substantial inaccuracy, they may not be brushed aside.

It is important also to understand the consequences of error in these estimates, if error there be. The cost of railroad transportation is divided in the department's table on the basis of pound-miles and the total pound-miles for mails, equipment and empty equipment are over 959,000,000,000.[5] Now, the number of pound-miles entering into this total, which are based on the haul of equipment and empty equipment attributed to second-class mail, is less than 35,000,000,000.[6] If all this equipment and empty equipment were assigned to other classes of mail, and none whatever to second-class

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[1] Supra, p. 41.
[2] Supra, p. 35. Table 4, revised, column 10.
[3] Supra, p. 35. Table 4, revised, column 11.
[4] Infra, p. 52.
[5] Supra, p. 36. Table 5, revised, column 11.
[6] Supra, p. 36. Table 5, revised, columns 7 and 10.

mail, the latter would still have over 46 per cent, instead of 50.06 per cent, of the total pound-miles stated. Second-class mail, according to the six months' weighing, constitutes over 60 per cent of the total mail. Under the department's calculation, the percentage of equipment and empty equipment attributed to it is less than 15 per cent (or 13.25 per cent with the changes above suggested) of the whole equipment (less registry) carried on railroads in connection with domestic mails.[1] There is no basis for concluding that corrections in the general estimates which the department has used would reduce in any important degree the share of second-class mail of the expense of railroad transportation.

Average haul.—The average haul stated in Table 5, revised,[2] was taken from the report of special weighings in 790 representative post offices for thirty days from October 1 to 30, 1907.[3]

The method of calculation is thus set forth in the report of the departmental committee which supervised the weighings:[4]

"It was wholly impracticable to secure data showing the weights of the mails dispatched to each office of destination or to compute the average hauls for such a large number of representative offices upon such elaborate and voluminous data. The instructions therefore required the report of weights of mails by classes and subclasses dispatched to the several States and Territories of destination, and in computing the average hauls the distances used as multipliers in the several instances were the ascertained distances between the offices of origination of the mails and the postal point nearest the center of population of each State and Territory, respectively, or to the point of exit from the United States of the mails destined for Porto Rico, Canal Zone, Panama, Philippine Islands, etc., and to Canada, Cuba, and Mexico, by the shortest practicable mail route. Such distance was ascertained in every case and applied to the weights carried to such State or Territory in making the computation of the average haul. The average hauls were ascertained by the accepted manner of computation; that is, for each class or subclass a multiplication of the weight of mail matter by the distance from the office of origination to the point nearest the center of population in the State of destination, producing pound-miles. The addition of the pound-miles was made for all dispatches to all the States and Territories and the division of the sum by the total weight of mails dispatched, producing the average haul. The total weights of all mails of the several classes and subclasses were used for the purpose of ascertaining these average hauls, respectively, with the exception of mails for local delivery, which were not regarded as having hauls within the meaning of the statute.[5]

"The average hauls of equipment were computed from reports of weights of equipment dispatched to the several States, to cities, and to railway post-offices. Postmasters were instructed to report weights of equipment dispatched to

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[1] Table 4, revised, column 10, supra, p. 35.

[2] Supra, p. 36.

[3] Report of Weighings of 1907, H. Doc. No. 910, 60th Cong., 1st sess. Tables AA, BB, CC, and DD, pp. 36–58.

[4] Id., pp. 14, 15.

"[5] In the above-described compensation (*sic*), the distance applied to the mails dispatched to points in the State or Territory of origin was determined in each case by a careful estimate based upon the area of the respective State or Territory."

States and Territories, as sent to such States and to the States in which such cities were located, and to report equipment dispatched to railway post-offices, as sent to the State in which such equipment was opened for the distribution of the mail contained therein by the railway mail service. As equipment is often changed with reference to any volume of mail an accurate ascertainment of an average haul is hardly practicable, and this method of stating points of destination appears to approximate accuracy as near as possible.

"The computation of an accurate average haul of second-class matter, free in county, is impossible without reports showing the actual destination within the county of all such matter. As a computation based upon such elaborate and voluminous data, even if it could be obtained, was impracticable, it was decided to assign as the average haul for such matter a mathematical average for travel within the county. To ascertain this for any one State, the total area of the State was divided by the number of counties in the State, thus giving the average area of a county. For the purpose of ascertaining the average dimensions of a county, it was assumed to be approximately square. Therefore the square root of its area would represent its length or breadth. This was ascertained. This factor was doubled to represent the length and breadth and one-eighth of the same was taken to represent the mathematical average haul."

That this method was a proper one, sufficiently appears from the following statement of the public accountants who, under the authority of the Joint Commission of Congress, conducted the inquiry into the business methods of the department. The statement appears in their description of the cost system proposed:[1]

"The average haul of each class of mail is necessary in order to compute the ton-miles which form the basis of distribution of the cost of transportation.

"It is self-evident that insuperable difficulties stand in the way of obtaining over any prolonged period a record of the actual distance traveled by the individual pieces of mail of each class, and the nearest approach that can, in practice, be made to obtaining the actual haul is by a test or series of tests for some comparatively short period of the weight of mail in classes dispatched from the post-office of origin to the State of destination, an average distance being estimated for its travel in the latter.

"As explained under the caption "Weight," the difficulty of holding up the mail for a sufficient length of time at the separation case to enable the continuous weights to be taken separately for each State or town of destination is in itself a serious one, owing to the delay caused to the mail, apart from the labor of tabulating the numerous weighings. Having obtained these weights, the next step would be to calculate and enter on the tabulation sheets the distances from the post-office to each State or town of destination by the nearest mail route, the geographical distance not giving the true line of travel. When it is remembered that there are over 60,000 post-offices in the United States, some idea can be gained of the millions of calculations involved in these two processes and in the subsequent work of multiplying the weights by the distances and dividing the products by the total weight, to arrive at the average haul. Under the circumstances it seems necessary to confine the taking of the average haul to a selected number of representative post-offices.

"In the weighing now in progress the haul is being calculated on the basis of the distance from the point of origin to the center of population in the

[1] S. Rept. No. 201, 60th Cong., 1st sess., p. 93. See also Typewritten Record, pp. 972–974.

State, as furnished by the Census Bureau, and this method is probably as fair as could be adopted without a very great amount of additional labor."

The calculation is criticized upon the ground that the month selected was not fairly representative. It is said that in October the magazines are heavier than the average for the year as they carry the advertising matter for the Christmas sales; and that as the average haul for magazines is longer than for other pound-rate matter, the average haul attributed to all pound-rate matter was thus unduly increased.

The special records of 1907 do not give the weights of newspapers, magazines and other periodicals, separately, either for the thirty days or for the six months. And as the thirty days' weighings were had in only 790 post offices and the six months' weighings were had in all offices, we can not compare satisfactorily the totals of pound-rate mail, or of all second-class mail, even if the thirty days' weights are extended to six months. A comparison of weights in particular post offices—those, for example, in the principal offices where it is said the magazines are mailed in the greatest number and weights, e. g., New York, Chicago, Philadelphia and St. Louis—does show that the weight of second-class mail estimated for six months on the basis of the thirty days' record is greater than the amount shown by the six months' weighing.[1] This comparison also shows an increase, in the great cities, in mail other than second-class; and it might be expected that this, too, would reflect the activities of the autumn season. But it does not appear that there were like ratios of increase.

In considering statistics of this sort it is important to note the precise question presented. The two factors in the computation of pound-miles are weight and haul. Now, the weights which were used in computing the pound-miles shown in Table 5, revised, were based on the six months' weighing—after the deductions for local delivery in the manner already described—and not on the thirty days' weighing. And, as we have said, there is nothing before us which would justify the conclusion that the relation between these weights of the several classes of mail was not established with substantial accuracy. When we come to the matter of haul, the mere fact that pound-rate mail, or any other sort for which an average haul was computed, was heavier during the thirty days would not necessarily affect the result, for the average distance of transportation might still

[1] In the argument submitted by the publishers, the calculation erroneously increases this result by dividing the weight for thirty days, brought up to six months, by 85 per cent on the assumption that this weight is 85 per cent of the whole weight. But the comparison is between particular post offices and not between the 790 offices and all offices. Even in the latter case, it would be inaccurate to assume that the weight either of first-class matter or of second-class matter, taken separately, was 85 per cent of the whole weight of that class. (Supra, p. 38.) (Memorandum filed on Behalf of the Publishers of Certain Magazines, pp. 38, 39.)

be the same. So also the average haul was calculated for each class and subclass (mentioned in the department's table) separately and these average distances might remain the same, although at a given time the volume of one class was enlarged or reduced as compared with another. It follows that the showing that second-class mail formed a greater percentage of all mail during the thirty days than for the six months does not establish that the average hauls of the two classes, respectively, as computed for the former period, would not be the same during the latter. The question would be whether during the thirty days there was such an abnormal relation between the portions of mail composing a class or subclass as to make an appreciable difference, with respect to the entire country, in the average haul to be assigned to the whole class or subclass. And it is the contention that there was at this time such an abnormal relation between magazines and other second-class mail paid at the pound rate; but this can not be regarded as proved by any of the calculations which have been submitted comparing the thirty days and six months' records.

Apart from this, an inquiry whether the average hauls for October, 1907, should be treated as representative must take into account the returns from the special weighings in the year 1906. These were received from 427 post offices, representing over 90 per cent of the total weight of second-class mail paid at the pound-rate and free-in-county.[1] The average haul was computed for the paid-at-the-pound-rate matter, after deducting the portion returned as local delivery or without giving the State of destination;[2] and the calculation covered the entire half year (July 1 to December 31). The average haul of the various subclasses, as described in the statute authorizing the weighings, and of all subclasses combined, were found to be as follows:[3]

	Average haul.
	Miles.
"Daily newspapers:	
Subscribers' copies	255.41
Sample copies	315.25
Subscribers' copies and sample copies combined	255.75
"Weekly and other than daily newspapers:	
Subscribers' copies	489.89
Sample copies	495.99
Subscribers' copies and sample copies combined	490.13
"Scientific periodicals:	
Subscribers' copies	793.82
Sample copies	790.21
Subscribers' copies and sample copies combined	793.62
"Educational periodicals:	
Subscribers' copies	641.91
Sample copies	706.29
Subscribers' copies and sample copies combined	644.27
"Religious periodicals:	
Subscribers' copies	598.38
Sample copies	666.47
Subscribers' copies and sample copies combined	599.27

[1] Annual Report, 1907, p. 46; Report of Weighings of 1906, H. Doc. No. 651, 59th Cong., 2d sess., Table C, p. 21.
[2] Report of Weighings of 1906, p. 5.
[3] Id., p. 21.

	Average haul.
"Trade-journal periodicals:	*Miles.*
Subscribers' copies	704.86
Sample copies	736.02
Subscribers' copies and sample copies combined	707.11
"Agricultural periodicals:	
Subscribers' copies	520.83
Sample copies	576.51
Subscribers' copies and sample copies combined	525.49
"Magazines:	
Subscribers' copies	907.64
Sample copies	1.027.02
Subscribers' copies and sample copies combined	920.79
' Miscellaneous periodicals:	
Subscribers' copies	991.52
Sample copies	948.21
Subscribers' copies and sample copies combined	990.53
"All classes:	
Subscribers' copies	527.41
Sample copies	828.46
Subscribers' copies and sample copies combined	540.09 "

The records of 1906 gave no data for the calculation of the average haul of other classes of mail, and those of October, 1907, do not afford a basis for computing the hauls of the different subclasses of second-class matter above mentioned. The computations may be compared, however, with respect to the hauls of subscribers' copies and sample copies, respectively, of all pound-rate matter combined, as follows:

	Average haul.	
	1906	1907 [1]
	Miles.	*Miles.*
Subscribers' copies	527.41	602
Sample copies	828.46	873
Subscribers' copies and sample copies combined	540.09	615

[1] Report of Weighings of 1907, H. Doc. No. 910, 60th Cong., 1st sess., Table BB, p. 58.

Without impugning the method or accuracy of either calculation, we can not fail to be struck with the disparity in the results. It may be that if we had similar calculations for other classes of mail for the six months in 1906, and were able to compute the pound-miles accordingly, the latter would show substantially the same ratios as are disclosed by the computation based on the average hauls of October, 1907. As to this we can not judge. The most favorable assumption, on the evidence before us, as to second-class matter paid at the pound rate, would be to take its average haul on the basis of the calculation for the six months of 1906, and the average hauls for all other classes, as shown by the department's table. We do not say that this would be a correct assumption; it would seem rather to be a violent one. But it might serve, so far as average haul

is concerned, to indicate the *minimum* share of the cost of railroad transportation to be allotted to second-class matter paid at the pound rate.

Criticism is also made of the average hauls of equipment and empty equipment. These are based on the thirty days' record of October, 1907, and are the same for all classes of domestic mail, except free-in-county and registry. Thus the average haul of equipment used in connection with each class of mail is stated as 401 miles and of empty equipment as 346 miles.[1] This is said to be an arbitrary apportionment. It is explained that it was impracticable to weigh equipment and empty equipment separately for the several classes of mail, and consequently it was dealt with as a whole. While the total pound-miles for equipment may not exceed the amount produced by multiplying the weight of equipment by the average haul for the whole (used and empty, respectively), still it may be said that as between the different classes of mail, this total of pound-miles should be apportioned in such a way as to recognize the different hauls of the mails of these classes. Thus, it might be assumed that the average hauls of the equipment of the different sorts of mail would bear the same relation to each other as the average hauls of the mail itself.

The following tables are presented for the purpose of showing the effect of revising the calculations in the manner above suggested with respect to equipment and average haul.

In the first table (Table 4), correction is made for the double deduction of registry equipment[2] (in the computation of sack equipment); and the weight of equipment of each class of mail transported in sacks is computed according to the assumed number of pieces to the sack, that is, in the same manner as the total weight of sack equipment computed.[3] In the second table (Table 5), the average haul of pound-rate matter is taken from the weighings of 1906; and the total pound-miles of equipment and empty equipment respectively (except free-in-county and registry) are divided among the several classes of mail in the same ratio as if the equipment had been carried as far as the mail to which it related.

[1] Report of Weighings of 1907, Table BB, H. Doc. No. 910, 60th Cong., 1st sess., p. 58.
[2] Supra, p. 41.
[3] Supra, p. 43.

TABLE 4.

[Revised, with changes above noted.]

1	2	3		4			5	6	7	8	9	10	11	12
Items.	Weights of mail.	Percentages of mail handled in—		Weights of mail transported.			Number of pieces per pound in sacks.	Number of pieces in sacks.	Per cent of pieces in sacks.	Weight of sack equipment.	Weight of pouch equipment.	Total weight of equipment.	Per cent.	Weight of empty equipment.
		Pouches.	Sacks.	In pouches.		In sacks.								
				Weight.	Per cent whole.	Weight.								
CLASSES OF MAIL.	*Pounds.*	*Per ct.*	*Per ct.*	*Pounds.*		*Pounds.*				*Pounds.*	*Pounds.*	*Pounds.*		*Pounds.*
First class	118,221,459	100	.....	118,221,459	62.01	.....	.....	.....	.....	.....	277,238,543	277,238,543.0	50.56	34,322,456
Second class:														
Paid at pound rate	692,624,512	.....	100	.....	.....	692,624,512	4.22	2,922,875,441	66.18	66,982,561.8	.....	66,982,561.8	12.22	8,295,499
Free in county	24,318,929	.....	100	.....	.....	24,318,929	6.90	167,800,610	3.80	3,845,430.6	.....	3,845,430.6	.70	475,192
Transient	22,133,002	.....	100	.....	.....	22,133,002	2.93	64,849,696	1.46	1,486,138.6	.....	1,486,138.6	.27	183,288
To Canada	6,747,857	.....	100	.....	.....	6,747,857	1.98	13,360,757	.30	306,183.9	.....	306,183.9	.06	40,731
All second class	745,824,300	.....	100	.....	.....	.....	.....	.....	71.74	72,620,314.9	.....	72,620,314.9	13.25	8,994,710
Third class	168,140,288	30	70	50,442,086	26.46	117,698,202	8.56	1,007,496,609	22.82	23,088,463.2	118,299,175	141,387,638.2	25.79	17,507,439
Fourth class	56,168,710	.....	100	.....	.....	56,168,710	3.16	177,493,123	4.02	4,067,550.3	.....	4,067,550.3	.74	502,346
Franked	4,459,942	55	45	2,452,968	1.29	2,006,974	1.99	3,993,878	.09	91,525.5	5,767,420	5,858,945.5	1.07	726,365
Penalty	30,029,120	65	35	19,518,928	10.24	10,510,192	5.54	58,226,464	1.33	1,334,356.1	45,781,691	47,116,047.1	8.59	5,831,288
Total	.....	.....	.....	190,635,441	.....	932,208,378	.....	4,416,096,578	100.00	101,202,210.0	447,086,829	548,289,039.0	100.00	67,884,604
Registry equipment	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	8,289,168.0	.....	1,169,857
Foreign equipment	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	5,753,492.0	.....	1,722,512
Total	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	562,331,699.0	.....	70,776,973

TABLE 5.

[Revised, with changes above noted.]

1 Items.	2 Weight of mail transported.	3 Average haul of mail.	4 Pound-miles for mail.[1]	5 Weight of equipment transported.	6 Average haul of equipment.	7 Pound-miles for equipment.[3]	8 Weight of empty equipment transported.	9 Average haul of empty equipment.	10 Pound-miles for empty equipment.[4]	11 Total pound-miles mail, equipment, and empty equipment.	12 Per cent.	13 Expenditures for railroad transportation apportioned to each class and service named.
	Pounds.	*Miles.*		*Pounds.*	*Miles.*		*Pounds.*	*Miles.*				
First class	118,221,459	507	59,938,279,713	277,238,543.0	.....	96,745,832,838.95	34,322,456	.....	10,323,719,085.8	167,007,831,637	18.33	$8,114,234.05
Second class:												
Paid at the pound rate—												
Subscribers	667,573,023	527.41	352,084,688,060	66,982,561.8	.....	24,798,703,788.14	8,295,499	.....	2,647,904,779.4	400,285,453,205	43.95	19,455,569.38
Samples	25,051,489	828.46	20,754,156,577	.....	.....	.....	.....	.....	.....	.....	.....	.....
Free in county	24,318,929	7	[2] [170,232,503]	[3] [3,845,430.6]	[7]	[2] [26,918,014.00]	[2] [475,192]	[7]	[2] [3,326,344.0]	[2] [200,476,861]	[2] [.02]	[2] [8,853.49]
Transient	22,133,002	698	15,448,835,396	1,486,138.6	.....	706,012,919.24	183,288	.....	76,542,866.3	16,231,391,180	1.73	787,961.62
To Canada	6,747,857	881	5,944,862,017	306,183.9	.....	198,566,133.53	40,731	.....	21,527,681.1	6,164,955,832	.68	301,019.04
Total second class	745,824,300	.....	[2] [394,420,774,553]	[2] [72,620,314.9]	.....	[2] [25,730,200,854.91]	[2] [8,994,710]	.....	[2] [2,749,301,670.8]	[2] [422,882,277,078]	[2] [46.43]	[2] [20,553,403.53]
Third class	168,140,288	672	112,990,273,536	141,387,638.2	.....	65,394,446,644.27	17,507,439	.....	6,977,360,651.9	185,362,080,832	20.35	9,008,437.68
Fourth class	56,168,710	687	38,587,903,770	4,067,550.3	.....	1,941,535,527.90	502,346	.....	210,492,882.2	40,739,932,180	4.47	1,978,757.56
Franked	4,459,942	750	3,344,956,500	5,858,945.5	.....	3,022,617,810.48	726,365	.....	322,915,217.0	6,690,489,528	.73	323,152.79
Penalty	38,541,909	782	30,139,772,838	47,116,047.1	.....	25,350,276,381.29	5,831,288	.....	2,705,311,929.1	58,195,361,149	6.39	2,828,693.70
	[5] 8,512,789	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
	30,029,120	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Foreign	36,044,732	620	22,347,733,840	5,753,492.0	.....	2,471,045,217.32	1,722,512	.....	633,870,611.2	25,452,649,669	2.79	1,235,063.44
Total	1,167,401,340	.....	661,581,462,247	550,197,100.4	401	220,629,037,261.12	69,131,924	346	23,919,645,704.0	906,130,145,212	.....	44,032,889.26
Registry service	.....	.....	.....	8,289,168.0	507	4,202,608,176.00	1,169,857	346	[6] 404,770,522.0	4,607,378,698	.51	225,764.38
Free in county	.....	.....	170,232,503	3,845,430.6	7	26,918,014.00	475,192	7	3,326,344.0	200,476,863	.02	8,853.49
Grand total	1,167,401,340	.....	661,751,694,750	562,331,699.0	.....	224,858,563,451.00	70,776,973	.....	24,327,742,570.0	910,938,000,771	100.00	44,267,507.13

[1] Same as in original Table 5, revised, save that the average haul for paid-at-the-pound-rate matter is taken from the report of weighings for 1906.

[2] Inserted merely to give the total for second-class matter.

[3] The total weight of equipment transported (except registry and free-in-county) is multiplied by 401, the average haul of this equipment, producing 220,629,037,261 pound-miles. This total is divided as follows: The weight of equipment of each class of mail (except free-in-county and registry) is multiplied by the average haul of the mail of that class (column 3); and the products are added together and the percentage for each class ascertained. The actual pound-miles are then divided according to these percentages.

[4] Same method of calculation as for equipment transported.

[5] See Table 5, revised, note 4; supra, p. 36.

[6] This has not been recalculated. The average haul, 346 miles, has been taken as in the department's table.

The result of the recalculations, on this basis, is to reduce the share of second-class mail, of the cost of railroad transportation, from 50.06 per cent, as stated in the department's table, to 46.43 per cent; and the share of paid-at-the-pound-rate matter from 47.67 per cent to 43.95 per cent. Second-class matter as a whole would be charged with $20,553,403.53 instead of $22,160,314.07; and paid-at-the-pound-rate matter with $19,455,569.38 instead of $21,102,320.65.[1]

2. OTHER TRANSPORTATION.

The other methods of transportation are by pneumatic tubes, star routes, mail messengers, screen wagons, steamboats, and electric and cable cars; rural delivery being separately treated as essentially concerned with the collection and delivery, rather than the transportation, of the mails.

Pneumatic-Tube Service.

The cost of this service for the fiscal year 1908 was $482,812.62,[2] and the apportionment was based upon the estimate, by persons familiar with the service, of the amounts of different classes of mail matter transported thereby and upon statistics taken in various cities having such a service.[3] This assigned 94 per cent to the first class, 1 per cent to the second class and 5 per cent to the third class. The amount charged to second-class mail is so small that for the purpose of this report it is unimportant whether the estimate is exactly accurate or not.

The division of cost is as follows:[4]

First class	$453,843.86
Second class	4,828.13
Third class	24,140.63
	482,812.62

[1] It will be observed that the total pound-miles calculated in the manner stated, and shown in the department's Table 5, revised (supra, p. 36), were 959,046,833,056. The changes in this table reduced this number to 910,938,000,771.

It is stated by the department that under the contracts, in effect July 1, 1908, based upon the average daily weight as ascertained by the quadrennial weighings, the pound-miles paid for on all railroad routes were 978,301,679,186.

[2] Annual Report, 1908, p. 332, supra, p. 28.

[3] Exhibit 200, p. 29, Table 6, note 2.

[4] Exhibit 200, p. 29, Table 6, column 3.

Transportation by Star Routes, Mail Messengers, Screen Wagons, Steamboats, and Electric and Cable Cars.

The cost during the fiscal year 1908 of these means of transportation was $11,415,409.75,[1] composed of the following items:

Star-route service	$7,125,025.30
Mail-messenger service	1,416.300.19
Screen-wagon service	1,319,017.18
Steamboat service	763,333.75
Electric and cable car service	791,733.33
	11,415,409.75

Since all classes of mail are carried by these methods and, in the absence of evidence showing the actual distribution, have been assumed to be carried in the same proportion, these various forms of transportation have been treated alike. In the table first submitted by the department the cost was apportioned at the same percentage as for railroad transportation;[2] but it was pointed out that the latter, being based on the pound-miles, was calculated according to the average length of haul; whereas in these other means of transportation the length of haul is substantially the same for all mail. The department therefore presented a new table based wholly on the weight of the different classes of mail and equipment, and apportioned the expense in question ($11,415,409.75) according to the percentages shown below.[3]

	Percentage.	Expense.
First class	0.3069	$3,503,389.25
Second class:		
Paid at pound rate	.3423	3,907,494.76
Free in county	.0230	262,554.42
Transient	.0117	133,560.29
Canada	.0031	35,387.77
All second class (except local delivery)	.3801	4,338,997.24
Third class	.1863	2,126,690.84
Fourth class	.0285	325,339.18
Franked	.0070	79,907.87
Penalty	.0584	666,659.93
Registry	.0276	315,065.31
Foreign	.0052	59,360.13
	1.0000	11,415,409.75

To obtain these figures the department took the percentages of the total mail belonging to the first class, the various subclasses of the second class (except local delivery), the third and fourth classes, etc., as given by the six months' weighings of 1907. To these percentages, respectively, was added the percentage of equipment for each class of mail as found in the case of railroads, and the two percentages so

[1] Annual Report, 1908, p. 332, supra, p. 28.

[2] Exhibit 200, pp. 27, 29.

[3] Submitted to the Commission in explanation of Table 6, revised. See Supplemental Statement of Second Assistant Postmaster General, Oct. 20, 21, 1911, p. 16.

added together were divided by two to make a new percentage. The result, as compared with the department's original calculation, was to reduce the cost allotted to second-class mail by about a million and three-quarters of dollars. But this process of adding percentages together and dividing by two would seem to be erroneous in view of the difference between the amount of mail and the amount of equipment. Ten per cent of 900, which is 90, plus thirty per cent of 100, which is 30, does not make twenty per cent but twelve per cent of 1,000. This error reduced the amount that would have been charged to second-class mail had the computation been correctly made on the basis taken by the department.

To make a correct apportionment on the basis of weight, we should have the weights of mail and equipment for each class carried in each of these services, and divide the expense accordingly. But we have not these data. Nor will it aid to assume that each class of mail has the same proportionate share of the weight of mail and of equipment in these services, as it has of the weight of all mail and of all equipment. For we have no evidence as to the percentage of the total equipment which should be allotted to each class, but only of the respective shares of the weight of equipment carried on railroads, computed in the manner above mentioned. And it would seem to be inadvisable, in apportioning the cost of these services, to combine, as the department has done, the ratios of the weight of mail—ascertained for each class with respect to the weight of all mail—and the ratios of the weight of equipment ascertained with respect to that part of the equipment which is carried on railroads.

There remains the assumption that in these services the different classes of mail have the same relation to each other as they have on railroads with respect both to weight of mail and to weight of equipment. This would not be to assume, as is mistakenly asserted in criticism, that all the mails and all the equipment carried on railroads are also carried on these routes, but that all the mail and equipment that are so carried, whatever the amount may be, are transported—with respect to the several classes—in the same proportion as on railroads. This appears to be the only analogy that the evidence permits; and we can not say that the assumption is so wide of the mark as to be wholly unwarranted. At least, so far as the matter of equipment is concerned, it would seem not to be unfavorable to second-class matter; for example, the estimates of the department show that on star routes the sack equipment is approximately thirty per cent of the entire weight of equipment,[1] while on railroads it is less than twenty per cent.[2]

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[1] Exhibit 97.

[2] See Table 4, revised, supra, p. 35.

The result of the calculation, according to this method, is as follows:

Apportionment of cost of transportation by star routes, etc.

	Mail and equipment (used and empty) carried on railroads (see Table 4, p. 51).	Total.	Per cent.	Cost.
	Pounds.	*Pounds.*		
First class:				
Mail	118,221,459.0	429,782,458.0	23.98	$2,737,415.26
Equipment	311,560,999.0			
Second class:				
Paid at pound—				
Mail	692,624,512.0	767,902,572.8	42.85	4,891,503.08
Equipment	75,278,060.8			
Free in county—				
Mail	24,318,929.0	28,639,551.6	1.60	182,646.56
Equipment	4,320,622.6			
Transient—				
Mail	22,133,002.0	23,802,428.6	1.32	150,683.41
Equipment	1,669,426.6			
To Canada—				
Mail	6,747,857.0	7,094,771.9	.40	45,661.64
Equipment	346,914.9			
Total second class			46.17	5,270,494.69
Third class:				
Mail	168,140,288.0	327,035,365.2	18.25	2,083,312.28
Equipment	158,895,077.2			
Fourth class:				
Mail	56,168,710.0	60,738,606.3	3.39	386,982.39
Equipment	4,569,896.3			
Franked:				
Mail	4,459,942.0	11,045,252.5	.62	70,775.54
Equipment	6,585,310.5			
Penalty:				
Mail	30,029,120.0	82,976,455.1	4.63	528,533.47
Equipment	52,947,335.1			
Foreign:				
Mail	36,044,732.0	43,520,736.0	2.43	277,394.45
Equipment	7,476,004.0			
Registry: Equipment	9,459,025.0	9,459,025.0	.53	60,501.67
Total	1,791,997,223.0	1,791,997,223.0	100.00	11,415,409.75

At this point the department submitted a summary statement of the cost of the entire transportation of mails by railroads and other methods.[1] After making the changes with respect to method and basis of computation, which we have indicated, the division of the entire expense of transportation appears in the following table:

TABLE 6.

[Revised, with changes above noted.]

1 Items.	2 Railroad transportation.	3 Pneumatic-tube service.	4 Other transportation.	5 Total cost transportation (exclusive of post-office cars).
Classes of mail:				
First class	$8,114,234.05	$453,843.86	$2,737,415.26	$11,305,493.17
Second class—				
Paid at pound rate	19,455,569.38	.....	4,891,503.08	24,347,072.46
Free in county	8,853.49	.....	182,646.56	191,500.05
Transient	787,961.62	.....	150,683.41	938,645.03
To Canada	301,019.04	.....	45,661.64	346,680.68
Local delivery	.....	4,828.13	.....	4,828.13
All second class	20,553,403.53	4,828.13	5,270,494.69	25,828,726.35
Third class	9,008,437.68	24,140.63	2,083,312.28	11,115,890.59
Fourth class	1,978,757.56	.....	386,982.39	2,365,739.95
Congressional free (franked)	323,152.79	.....	70,775.54	393,928.33
Departmental free (penalty)	2,828,693.70	.....	528,533.47	3,357,227.17
Foreign	1,235,063.44	.....	277,394.45	1,512,457.89
Special service: Registry	225,764.38	.....	60,501.67	286,266.05
Total	44,267,507.13	482,812.62	11,415,409.75	56,165,729.50

[1] Table 6, revised. See Supplemental Statement of Second Assistant Postmaster General, submitted Oct. 20, 21, 1911, p. 16.

3. RAILWAY POST-OFFICE CAR SERVICE.

Besides the payment made to the railroads on the basis of the weight carried, there are two other sources of expense connected with railroad transportation, both relating to the railway post-office cars used for sorting the mail in transit. There is, first, the payment to the railroads for the use of these cars, over and above the payment for the weight of the mail carried, which will be considered here; and, second, there are the salaries of the clerks and officials who sort the mails in those cars, which will be considered later under the head of handling.

The cars are either full post-office mail cars—that is, cars wholly occupied by post offices—or apartment cars—that is, where a portion of a car is used and the rest is devoted to other purposes. The railroads are paid for the use of these cars a certain amount per mile per annum according to their length, where it is 40 feet or more. For space in cars of less length, there is no additional payment over the amount paid for carrying the mails. The rate of compensation is fixed by the act of March 3, 1873,[1] as amended by the act of March 2, 1907.[2]

	Before July 1, 1907.	After July 1, 1907.
40 feet in length.....per mile per annum..	$25.00	$25.00
45 feet in length.....do....	30.00	27.50
50 feet in length.....do....	40.00	32.50
55 feet or more in length.....do....	50.00	40.00

The amount paid for this service in the fiscal year 1908 was $4,638,971.51.[3]

The department first apportioned to foreign mail 2.96 per cent of this cost, or $137,313.56, on an estimate that this was its percentage of the entire weight of the mails carried on these cars.[4]

The rest of the cost was apportioned according to the space devoted to letter separation, paper separation and storage. For this purpose the department measured the space in 776 cars in actual use, taking two hundred and seventy 40-foot cars, seven 45-foot cars, one hundred and seventy-three 50-foot cars, four 55-foot cars, and three hundred and twenty-two 60-foot cars.[5] By that means it was ascertained that the average proportion of space used for letter separation was 26 per cent; for paper separation, 48 per cent; and for storage, 26 per cent.[6] And the amount paid to the railroads for the use of these

[1] Chapter 231, 17 Stat., 558.

[2] Chapter 2513, 34 Stat., 1212.

[3] Annual Report, 1908, pp. 332, 333. Includes $71,605.26, being credit certified in favor of the Central Pacific Railway Co., aided, supra, pp. 28, 29.

[4] Exhibit 200, p. 32.

[5] Id., p. 31.

[6] This storage space in post-office cars is not to be confused with storage cars. The latter are supplied merely for carrying the mail, and the charge is solely on the basis of weight, without an additional charge for car.

cars, after deducting the portion allotted to foreign mail, was divided accordingly.

In order to make the apportionment among the different classes of mail, the department estimated the proportion of the pieces of each class which were distributed in the letter and paper spaces, respectively, and of the weight of each class held in the storage space. Obviously all first-class mail, handled in the post-office cars, is distributed in the letter space; all second-class mail (except 28.35 per cent, which receives no handling in these cars) and all fourth-class mail were considered as distributed in the paper space; but part of the third-class, franked and penalty mail is handled in each space, according to the size of the piece. From the opinions of railway mail service and post-office officials, and from tests in the post offices at Washington, New York and Chicago, it was assumed by the department that 75 per cent of the pieces of third-class mail (circulars, etc.), 50 per cent of the franked and 90 per cent of the penalty mail were distributed in the letter space and the rest in the paper space.[1]

Applying these percentages, and after making a deduction of an amount which was taken to represent local delivery, the cost assigned to the spaces used for letter and paper separation, respectively, was apportioned on the basis of the number of pieces shown by the seven days' count in October, 1907, except the 28.35 per cent of second-class mail, which is inclosed in sacks addressed directly to a post office and is not separated in the cars.[2]

The estimated cost of the storage space, after deducting 10 per cent for registered mail, was divided among the different classes according to their respective percentages of the total weight of domestic mail as shown by the six months' weighing in 1907.[3] But in the course of the hearing it was pointed out that deduction had not been made in this calculation for the 28.35 per cent of the direct second-class mail, which did not, or should not, occupy any of this space. The department, therefore, submitted a new table in which that proportion of second-class mail was omitted in dividing the cost of storage space.[4] This reduced the cost attributed to second-class mail by $84,165.66. In the recalculation no allowance was made for any mail, other than second-class mail, which might be sent direct without being distributed or carried in the post-office cars. The omission would tend to favor second-class matter; but there are no data by which it can be corrected.

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[1] Exhibit 200, p. 32; Typewritten Record, pp. 876–877.

[2] Memorandum on behalf of the Post Office Department dated Nov. 27, 1911, pp. 13, 14; Typewritten Record, pp. 872–876. The figures are computed from Tables O and DD of the Report of Weighings of 1907, H. Doc. No. 910, 60th Cong., 1st sess., p. 26.

[3] Exhibit 200, pp. 32, 33. See Table C; H. Doc. No. 910, 60th Cong., 1st sess., p. 21.

[4] That is, the percentage previously ascribed to second-class mail of the total domestic mail was reduced 28.35 per cent and new percentages were then obtained showing the relation of the different classes of mail on this basis.

The table so revised is as follows:[1]

BRIEF SERIES NO. 8 (TABLE 8a).—*Showing apportionment of expenditures for railway post-office car service to the classes of mail and the registry service according to space used for letter and paper separation and for storage (revised on basis of exclusion of 28.35 per cent of second class not carried in storage space).*

[Submitted to the Commission Aug. 23, 1911. Typewritten Record, p. 1588.]

Space.	First class.	Second class.	Third class.	Fourth class.
Letter space	$926,864.89		$210,327.34	
Paper space		$1,782,223.02	269,236.39	$92,699.95
Storage space	164,855.45	589,055.40	187,924.68	61,623.29
Total	1,091,720.34	2,371,278.42	667,488.41	154,323.24

Space.	Congressional, free.[1]	Departmental, free (penalty).	Registry.	Total expenditures.
Letter space	$819.11	$32,419.86		$1,170,431.20
Paper space	2,808.45	13,828.53		2,160,796.34
Storage space	4,740.25	45,190.41	$117,040.93	1,170,430.41
				4,501,657.95
Charged to foreign mail				137,313.56
Total	8,367.81	91,438.80	117,040.93	4,638,971.51"

[1] Franked.

After the close of the hearings the department modified this table by introducing its changed calculation of the number of pieces of fourth-class mail.[2] But for the reasons given in an earlier part of this report, this new computation is not adopted.[3] At the same time the department presented to the Commission a further division of the cost of the post-office car service among the subclasses of second-class mail, to wit, paid at the pound-rate, free-in-county and transient, which was made according to the relative number of distributions of each of these subclasses as ascertained by the method adopted in apportioning the cost of the railway mail service.[4] In this subdivision the department took the total amount ascribed to second-class mail by its last revision, instead of that stated in the above table. If we take the latter amount and divide it according to the percentages of the distributions in the railway mail service, hereafter stated,[5] the result is as follows:

1 Subclass.	2 Distribution.	3 Per cent.	4 Amount.
Paid at pound rate	2,654,806,054	93.01	$2,205,526.06
Free in county	125,374,548	4.39	104,099.12
Transient	74,179,941	2.60	61,653.24
	2,854,360,543	100.00	2,371,278.42

[1] Table 8a, Exhibit 201, p. 13.
[2] Supplemental Statement of Second Assistant Postmaster General, Oct. 20, 21, 1911, p. 18.
[3] Supra, p. 25.
[4] Supplemental Statement of Second Assistant Postmaster General, Oct. 20, 21, 1911, p. 18.
[5] See infra, p. 63.

In addition to whatever question there may be as to the general estimates used in the computation, the apportionment shown in Table 8*a* is open to criticism (1) with respect to the accuracy of the calculation of the deductions for local delivery, in dividing the estimated cost of the letter and paper spaces, (2) for the reason that the estimated cost of storage space was not apportioned (after deducting the direct second-class mail) according to the percentage of weight, of the different classes, carried on railroads, but according to their percentages of the weight of all mail, and (3) for the failure to make suitable allowance for mail other than second class not distributed or carried in the cars; but, in our judgment, if the theory of apportionment adopted by the department be deemed correct, a revision would not change the result to such a degree as could be considered important in this inquiry.

The theory of apportionment—according to space—does not accord with the views expressed in the report of the public accountants, to which we have alluded. They suggested that the special compensation paid to railway companies for these cars should be treated as a part of the expense of the railway mail service, and should be apportioned on the basis of the number of pieces of each class handled in the cars—that is, in the same manner as the compensation of officials and employees engaged in that service.[1] We are of opinion that a valid distinction may be made, in the method of apportionment, between the amount paid for the use of the cars and the amount paid for work in the cars, and that the former may well be divided on the basis of space and the latter on the basis of distributions. It should be added, however, that if the compensation for the use of the cars were divided according to distributions the share of second-class mail would be $1,048,211.23 instead of $2,371,278.42, as given in the above table, and the share of pound-rate matter would be $974,892.85 instead of $2,205,526.06. The effect of this difference in computation will be considered in the summary of the apportionment of cost.[2]

B. APPORTIONMENT OF COST OF HANDLING THE MAILS.

The next great expense is the cost of handling the mail, using the word in the broadest sense. It covers the collection, separation—that is, sorting and tying up in packages or bundles and placing in pouches or sacks at the office of origin; separation wherever necessary on the railway-mail cars; and the final sorting and delivering at the office of delivery, including the rural delivery service.

Now, in the case of second-class matter paid by the pound, a part of this work, under the instructions issued by the department, is done

[1] Preliminary Report of Joint Commission on Business Method of Post Office Department, S. Rept. No. 201, 60th Cong., 1st sess., p. 95.

[2] Infra, pp. 80, 81.

by the publishers. They are required to sort, pack and deliver the papers or periodicals which they send out; the extent to which the mail for different post offices, railroad routes, or cities is separated and marked depending somewhat on the amount of mail for those places. Mail packed in sacks, sorted as fully as it would be in the post office of origin and therefore ready to go directly to the railroad, is called "fully made up." About seventy-seven per cent of all second-class matter is "fully made up" in this way, and therefore is not sorted in the office of origin.[1] Sixteen per cent is "partly made up," and requires a certain amount of sorting in that office; while seven per cent is "mixed"—that is, wholly unseparated, and separation must be made in the office of origin. This explanation is made because the publishers seem to have been under a misconception in the matter. Complying with the requests of the department, they have been, as already stated, in the habit of packing most of the periodicals they mail in sacks, labeled for different parts of the country—routed, as it is called—and delivering them at the cars instead of at the post office. They have been apparently under the impression that this proportion of their mail being "fully made up," was not handled at all in the post-office cars. But "fully made up" means made up as fully as it would be at the post office of origin—not made up for its ultimate destination, most of it being packed in sacks labeled merely for States or railway routes. This is redistributed in the railway mail service for the separate post offices, the only proportion of second-class mail not handled at all being, as stated by the department, 28.35 per cent in sacks addressed directly to single post offices.[2]

1. RAILWAY MAIL SERVICE.

The cost of the railway mail service—that is, the handling of the mail in the post-office cars—for the fiscal year 1908 was $17,373,336.92.[3] From this was deducted the estimated expense of registry and foreign mail, amounting to $2,285,552.04. This deduction is thus explained by the department:[4]

"The expenditures applicable to the registry service were estimated as follows:

Expense of registry terminal railway post offices	[5] $143,700
Fifty per cent of the salaries of 2,557 clerks, one clerk in each full railway post-office crew, at $1,160, average salary	[6] 1,483,060
Ten per cent of the salaries of 3,882 clerks, one clerk in each apartment-car crew, at $1,160, average salary	[6] 450,312
Total	2,077,072

[1] Typewritten Record, pp. 657–659.
[2] Typewritten Record, pp. 875–876; see also pp. 662–663.
[3] Annual Report, 1908, p. 332, supra, p. 28.
[4] Exhibit 200, pp. 33, 34.
"[5] Actual expense for the year 1908.
"[6] Estimates based upon the opinions of Railway Mail Service officials and taking into consideration the number of crews in the Railway Mail Service."

"The expenditure applicable to the foreign mails was apportioned as $208,480.04. The apportionment was based upon the per cent of the pieces of foreign mail to the whole number of pieces of all mail matter, domestic and foreign, as estimated from the special weighing figures (1.20 per cent). (See Table X, p. 29, H. Doc. No. 910.)"

The department first presented a computation for the apportionment of the remainder, $15,087,784.88, based upon the number of distributions and redistributions estimated as having been made in the railway mail service in the fiscal year 1908.[1] In this estimate it was assumed that on the average there were 40 letters to a package and 150 papers—that is, newspapers and periodicals—to a sack, requiring separate distributions. But the computation was defective, because it took no account of such packages of letters and bundles of papers as need no further separation and remain unbroken.

To meet this difficulty the department submitted the result of a count which it had taken during the seven days beginning November 13, 1910, of the number of pieces of letter mail to a package and the number of pieces of periodicals or papers to a sack as they were actually sorted on the railway mail cars; a "piece" being either a single letter, paper or periodical, or a package or bundle of them tied together which was handled as a single unit and the contents of which were not distributed. This process gave an average of 25.16 "pieces" to a package of letters and 52.14 to a sack of paper mail.[2] Applying these ratios to the number of packages of letters and sacks of papers reported to have been distributed in the post-office cars during the fiscal year 1908, it was found that there were 7,488,565,236 distributions and redistributions of letters and 3,482,626,333 of papers.[3]

For the purpose of apportioning these distributions among the several classes of mail, the number of pieces of each class was taken, as shown by the seven days' count in October, 1907.[4] Deductions were made for local delivery based upon percentages deduced from the record of the thirty days' weighing in October, 1907;[5] and in the case of second-class mail there was a further deduction of 28.35 per cent for the direct mail not distributed in the cars.[6] It was then assumed (upon the department's estimates already mentioned[7]) that of the remaining number of pieces 100 per cent of first class, 75 per cent of third class, 50 per cent of franked and 90 per cent of penalty

[1] Exhibit 200, p. 34.

[2] Typewritten Record, pp. 1573, 1574. Recapitulation of seven days' count of mail on railway post-office lines beginning Nov. 13, 1910, Typewritten Record, pp. 1700, 1701.

[3] Typewritten Record, p. 1702.

[4] Table O, Record of Weighings of 1907, H. Doc. No. 910, 60th Cong., 1st sess., p. 26. For some unexplained reason only one-quarter of the number of pieces of franked matter was taken. See Table O and explanation of process in Typewritten Record, pp. 1707, 1708. The number, however, is so small that the effect upon the apportionment to second-class mail is inconsiderable.

[5] Save in the case of free-in-county matter, where the estimate was based on the result of inquiries in particular offices. See supra p. 37.

[6] Typewritten Record, p. 1708.

[7] Supra, p. 58.

were handled as letters; and that 100 per cent of second class and of fourth class, 25 per cent of third class, 50 per cent of franked and 10 per cent of penalty were handled as papers.[1] The total number of letter distributions and paper distributions, respectively, were divided among the different classes according to the relative number of pieces thus estimated. And, combining the results, the percentage for each class of the entire number of distributions was ascertained, as follows:[2]

"*Consolidation of handlings on basis of pieces handled as letters and pieces handled as paper mail.*

Class.	Handled as letters.	Handled as papers.	Totals.	Per cent.
First	5,935,436,806		5,935,436,806	54.10
Second:				
Pound rate		2,654,806,054	2,654,806,054	24.20
Free in county		125,374,548	125,374,548	1.14
Transient		74,179,941	74,179,941	.68
All second class		2,854,360,543	2,854,360,543	26.02
Third	1,344,197,460	449,258,797	1,793,456,257	16.35
Fourth		154,628,609	154,628,609	1.41
Franked	1,497,713	1,393,050	2,890,763	.02
Penalty	207,433,257	22,985,334	230,418,591	2.10
Total	7,488,565,236	3,482,626,333	10,971,191,569	100.00"

These percentages were used in apportioning the cost of the railway mail service after deducting the share attributed to registered and foreign mail. The effect of the change in the method of computation from that originally adopted by the department was to reduce the charge to second-class matter by the sum of $555,230.49.[3] The following table gives the result:[4]

"BRIEF SERIES No. 9.—*Apportionment of expenditures for Railway Mail Service (based on new data as to number of pieces to the package and sack).*

[Submitted to the Commission Aug. 23, 1911. Typewritten Record, pp. 1581, 1711 and 1712.]

Class of mail.	Number of distributions and redistributions.		Per cent.		Amount.	
First		5,935,436,806	54.10		$8,162,491.62	
Second:						
Paid at pound rate	2,654,806,054		24.20		$3,651,243.94	
Free in county	125,374,548		1.14		172,000.75	
Transient	74,179,941		.68		102,596.93	
All second class		2,854,360,543	26.02			3,925,841.62
Third		1,793,456,257	16.35			2,466,852.83
Fourth		154,628,609	1.41			212,737.77
Franked		2,890,763	.02			3,017.56
Penalty		230,418,591	2.10			316,843.48
Total		10,971,191,569	100.00			15,087,784.88
Registry						2,077,072.00
Foreign						208,480.04
Grand total						17,373,336.92"

[1] Typewritten Record, pp. 1707, 1708.
[2] Typewritten Record, pp. 1710, 1711.
[3] Compare Exhibit 200, p. 34, with Exhibit 201, p. 14; Typewritten Record, p. 1581.
[4] Brief Series No. 9, Exhibit 201, p. 14. This table was subsequently modified by the department to embody the result of its new computation of the number of fourth-class pieces which has been repeatedly mentioned. Supplemental Statement of Second Assistant Postmaster General, Oct. 20, 21, 1911, p. 19. See supra, p. 25.

It will be observed that as the number of distributions of letter and paper mail, respectively, is based upon the new count of "pieces," that is, treating each unbroken package or bundle as one piece, while the division of these two kinds of mail between the different classes of mail rests upon the seven days' record of 1907 (when apparently the count was of individual pieces), the calculation necessarily assumes that the ratios in the latter case obtain in the former; in other words, that on the average the number of pieces of the different sorts of mail in the unbroken packages of letters and bundles of papers were relatively the same as those shown by the count of individual pieces in 1907. This is neither established nor disproved. With respect to second-class matter, the assumption is used only in apportioning the distributions of paper mail among its subdivisions. And it does not seem probable that the assumption is so far from the fact as greatly to alter the cost attributable to second-class mail or to that part of it which is paid at the pound-rate.

It is further objected that the computation is discredited by the fact that "although third-class mail matter transported on railroads is 168,140,288 pounds (Table 5, revised) as opposed to 118,221,459 pounds of first class (Table 5, revised), and 75 per cent of third class is handled in the railway mail service as letter mail it is only charged in apportioning the railway mail service clerks' salaries with 16.35 per cent," as against 54.10 per cent for first class. But the department's estimate of 75 per cent of third-class matter handled as letter mail is not of pounds, but of pieces. It assumes in its railroad table that only thirty per cent of the weight of third-class mail is carried in pouches as letters.

By the apportionment second-class matter is charged with 26.02 per cent of the cost of the railway mail service (after deducting the share of registered and foreign mail), and pound-rate matter with 24.2 per cent, while first-class mail is charged with 54.1 per cent. It must be remembered that while second-class matter is largely made up for States, for routes, and for post offices, so as to reduce the handling required in the railway mail service, this is also true of first-class and other mail which are made up in the office of origin in substantially the same manner. Indeed, it may be said that if there is any difference in the degree to which the separation is carried, in order to avoid unnecessary handling in the post-office cars, it may well be in favor of that mail which is prepared in the post office of origin, where it would seem a finer separation can be made than it is practicable to require of publishers of second-class matter.

2. RURAL DELIVERY SERVICE.

Under the head of handling may be placed the rural delivery service. The cost of this in the fiscal year 1908 was $34,355,209.04.[1] The department's original computation was based upon an actual count of the number of pieces of each class of domestic mail "on 74 rural-delivery routes from 21 post offices in 18 States during a period of three months."[2] Objection was raised to the number of routes as too small to furnish a fair average.

Another count was made throughout the month of May, 1911, of all pieces of all mail matter collected and delivered by the rural carriers on 39,794 routes, and the result was presented to the Commission.[3] An apportionment of the cost of the service for the year 1908 on this basis increased the proportion attributed to second-class mail from 40.23 per cent to 45.88 per cent, a difference of about $2,000,000.[4] The proportion so found is confirmed by a count made in the spring of 1909, which gives the percentage of pieces of second-class mail as about 45 per cent.[5]

The actual count in May, 1911, was as follows:

Count and weight of mail matter collected and delivered on 39,794 rural routes in the United States during May, 1911 (revised).

	Number.	Weight.
		Pounds.
First-class mail:		
Letters	58,750,858	1,488,690
Postal cards	28,369,219	344,537
Other sealed matter	145,652	29,978
Total	87,265,729	1,863,205
Second-class mail:		
Newspapers	81,152,011	14,280,942
Magazines	7,767,838	2,377,894
Free in county mail	13,778,417	1,998,091
Transient mail	1,202,041	255,450
Total	103,900,307	18,912,377
Third-class mail:		
Books	348,778	287,735
Circulars	21,354,528	1,675,077
Other third class	2,956,228	666,839
Total	24,659,534	2,629,651
Fourth-class mail: Merchandise—packages	2,716,816	1,278.866
Franked and penalty mail:		
Franked letters	354,177	24,880
Franked documents	533,272	107,334
Penalty letters (official)	1,028,646	49,357
Penalty documents (official)	301,023	41,136
Total	2,217,118	222,707

[1] Annual Report, 1908, p. 333, supra p. 28.
[2] Exhibit 200, p. 35.
[3] Typewritten Record, pp. 1612, 1613, 2432; Exhibits 172, 173; Exhibit 201, p. 14; Supplemental Statement, Oct. 20, 21, 1911, pp. 19, 20.
[4] Compare Exhibit 200, p. 35, with Exhibit 201, p. 14.
[5] Exhibit 200, p. 36; Annual Report, 1909, p. 352.

Count and weight of mail matter collected and delivered on 39,794 rural routes in the United States during May, 1911 (revised)—Continued.

	Number.	Weight.
		Pounds.
Foreign mail:		
Foreign letters	567,371	25,249
Other foreign matter	208,795	34,009
Total	776,166	59,258
Registered mail:		
Letters	154,477	15,060
Other registered mail	41,160	22,624
Total registered mail	195,637	37,684
Grand total	221,731,307	25,003,748
Money orders issued and paid on above rural routes for May, 1911:		
Issued	760,884	.....
Paid	24,898	.....

The pieces of registered mail and the money orders were multiplied by five, it being estimated that they require five times the amount of time and labor necessary for dealing with other mail.[1] Subject to this exception, the apportionment of cost was based upon the number of pieces of each class of mail collected and delivered in the rural delivery service; and in view of the fact that the wagons at present are not often full, this seems fair, although the pieces of second-class mail weigh on the average more than eight times as much as those of the first class, the total number of pieces of the first class being 87,265,729, and their weight 1,863,205 pounds, while the number of pieces of the second class is 103,900,307, and their weight 18,912,377 pounds. The apportionment of the expenses by number of pieces was criticized, and it was insisted that time ought to have been taken as the basis. An effort was made to show that, whereas in rural delivery only a small amount of second-class mail paid at the pound-rate is collected and much is distributed, it takes far longer to collect mail per piece than it does to deliver it. In the opinion of the Commission, however, this has not been proved. In fact any attempt to compute the amount of time that it takes a rural carrier to collect and deliver the different classes of mail would probably be futile, and the apportionment by the number of pieces seems to be more practicable.

The publishers of magazines contended also that the rural delivery is of little value to them and should not be heavily charged against their periodicals. It is true that the magazines furnish only about 3½ per cent of the pieces and 9 per cent of the total weight carried; but the other kinds of second-class mail use the service largely, the "free-in-county" publications, although less in weight, furnishing more than 6 per cent of all the pieces and other newspapers more than one-third of the total number of pieces and more than one-half of the

[1] In the original estimate of the department the number of pieces was multiplied by three. Exhibit 200, p. 35. In view of the objection of the publishers that this was too small, five was substituted in the final table.

total weight on rural routes. While, therefore, publishers of magazines may be right in urging that the rural delivery service does not benefit them to any great extent, it does largely benefit second-class matter as a whole. Questions with respect to the relative total cost and the advisability of making a difference in rates for different kinds of second-class mail will be considered later.[1]

The results of the apportionment, for the various classes of mail, are as follows:[2]

"BRIEF SERIES No. 10.—*Apportionment of rural delivery expenditures on basis of count of May, 1911 (revised).*

[Substituted Aug. 31, 1911, by letter, for table submitted to the Commission Aug. 23, 1911, typewritten record, p. 1613, and Exhibit 201, p. 14.]

1 Classes of mail.	2 Pieces.		3 Per cent.	4 Amount.	
First		87,265,729	38.54		$13,240,497.56
Second:					
Paid at pound rate	88,919,849		39.27	$13,491,290.59	
Free in county	13,778,417		6.08	2,088,796.71	
Transient	1,202,041		.53	182,082.61	
All second class		103,900,307	45.88		15,762,169.91
Third		24,659,534	10.89		3,741,282.26
Fourth		2,716,816	1.20		412,262.51
Franked		887,449	.39		133,985.32
Penalty		1,329,669	.59		202,695.73
Foreign		776,166	.34		116,807.71
Registry (195637×5)		978,185	.43		147,727.40
Money orders (785782×5)		3,928,910	1.74		597,780.64
Total		226,442,765	100.00		34,355,209.04"

3. GENERAL POST-OFFICE SERVICE.

In the effort to make a proper division of cost the greatest difficulty is met in connection with the expense of handling the mail in the post offices throughout the country; and, of all the computations made by the department, those relating to this matter are the least satisfactory.

The expenditures grouped under this head, for the fiscal year 1908, amounted to $86,392,896.35, distributed as follows:[3]

"Compensation of postmasters	$25,599,397.52
Assistant postmasters and clerks in post offices	30,903,351.75
City Delivery Service	26,343,201.19
Miscellaneous items, first and second class offices	254,637.37
Rent, light, and fuel	3,193,820.94
Supplies, City Delivery Service	67,050.60
Assistant superintendents, Salaries and Allowance Division	30,747.03
Miscellaneous items, Office of First Assistant Postmaster General	689.95
Total	$86,392,896.35"

[1] Infra, pp. 96, 97.

[2] Exhibit 173; Exhibit 201, p. 14; Supplemental Statement, Oct. 20, 21, 1911, p. 20.

[3] Annual Report, 1908, pp. 332, 333; Exhibit 200, p. 36.

From this total sum were deducted (1) $3,722,602.39 on account of the registry service, this amount being taken from the estimates of postmasters, (2) $2,498,574.71 on account of the money-order service, resulting from similar estimates, and (3) $125,000 charged to special delivery.[1]

For the apportionment of the remaining $80,046,719.25 [2] the department submitted a computation based on the estimated number of handlings of the different classes of mail matter, multiplied by the number of pieces passing through the mail after certain allowances were made for difference of time in handling. It was estimated from tests in several large post offices that ordinary letters and circulars could be handled in about one-third the time required for newspapers and packages. "Therefore, the total number of pieces of first-class mail," and of the estimated number of the other classes of mail handled in the same way (that is, 75 per cent of third class, 50 per cent of franked and 90 per cent of penalty), "were reduced two-thirds to place them on an equal basis with paper and package mail." [3] Upon these estimates a table was presented charging second-class matter with 26.88 per cent of the cost of the general service.[4] The apportionment was as follows: [5]

Items.	Compensation of postmasters, clerks, carriers, rentals, miscellaneous.
Classes of mail:	
First	$40,519,373.35
Second	21,516,411.55
Third	13,079,544.82
Fourth	2,249,297.49
Franked	88,050.79
Penalty	1,048,604.88
Foreign	1,544,891.06
Special services:	
Registry	3,722,603.01
Money order	2,499,119.40
Special delivery	125,000.00
Total	86,392,896.35

Strenuous objection was raised to the statement that letters could be handled three times as rapidly as newspapers and periodicals.[6]

[1] Supplemental Statement, Oct. 20, 21, 1911, pp. 37, 38; Exhibit 200, pp. 37, 42, 43.

[2] Owing to small differences in the deduction for registry and money-order services, this figure appeared in Exhibit 200, p. 37, as $80,046,173.94.

[3] Exhibit 200, p. 37.

[4] Exhibit 200, Table 9, pp. 40, 41.

[5] Exhibit 200, Table 11, p. 50, column 7.

[6] As to the relative time for handling pieces of first and second class mail, respectively, the department states in its memorandum of Oct. 28, 1911 (p. 22): "So far as the 3-to-1 theory is concerned, the matter was disposed of finally when the post-office tables were prepared on the May count and submitted to the commission, as the apportionment of expenditures was made upon the time ratio compiled from the reports of that count. As to whether or not the original theory was approximately correct is not relevant now to the question of apportionment under the tables mentioned. However, as a matter of information, the department has made a computation based on the face of the reports from 300 offices and submitted it to the commission, which computation shows the ratio of 31.45 for first-class matter to 22.99 for second-class matter handlings in 1 minute."

The Commission was also satisfied that by the method adopted—although this was apparently not the intention of the department—where a sack containing, for example, 150 copies of a periodical was sent by publishers direct to a news agent and delivered at the office of destination without opening, it was treated as having received one handling for each copy it contained; in other words, 150 handlings, or, in view of the estimated difference in time consumed, an equivalent to one handling for each of 450 separate letters. It was also pointed out that in order to obtain a proper apportionment a distinction should be made between the different classes of post offices, and between those where second-class matter was, and was not, entered.

Starting afresh, the department divided the general post-office expenses for the fiscal year 1908 among the different classes of offices, distinguishing, in each class, those of entry and nonentry for second-class mail.[1] There were then submitted the results of an attempt to measure the actual time spent in handling the various kinds of mail in the first, second, and third class post offices throughout the United States during the month of May, 1911. For fourth-class offices an estimate was based on reports from certain third-class offices where the conditions were deemed to be similar. The apportionment of time thus obtained was then applied to the expenses of 1908. Deductions having been made for the registry and money-order services, the various salaries, special and miscellaneous expenses in the different classes of post offices were divided among the classes of mail according to the ratio so found of the time occupied in handling each of them.

Two forms were sent to postmasters for returns of the May, 1911, count, one of them, "Form G," relating to the city carrier service; while the other, "Form F," related to all other handling of the mails at the office. The forms were designed to show the average number of handlings per piece as well as the actual time consumed; but the reports of the former were found to be too uncertain for use in compiling the tables. Under "Form F," 7,150 reports were received from postmasters of first, second, and third class offices, but of these only 3,256 were used in the tables which were submitted by the department to the Commission in September, 1911, the rest being regarded as too defective for the purpose.[2] In the same way, under "Form G" 1,489 reports were received, of which only 900 were used.[3] To reject such a large number of reports discredited the representative character of the count, and as it appeared that many had been discarded merely because of the defective returns with respect to the average number

[1] Supplemental Statement, Oct. 20, 21, 1911, pp. 20–22; Id., Brief Series, No. 11 (Table 14), p. 23.

[2] Exhibits 162, 163, Typewritten Record, p. 2365.

[3] Id.

of handlings per piece, it was suggested that the department compile new tables including all the reports received. This was done, the new tables including all but 277 of the reports under "Form F" and all but 11 under "Form G;" these, it is said, being omitted on account of irregularities.[1] In the new tables, in addition, there was an apportionment of expenditures in fourth-class offices based upon reports of time from a large number of offices of that class made from a count during the 30 days of September, 1911. But here, again, an unfortunately large proportion of the reports were found to be irregular, 2,353 being used, while 1,582 were rejected and 337 more came in too late for the compilation.[2]

The following table shows the distribution of the items embraced in the general post-office expenses among the different classes of post offices:[3]

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[1] For the first tables and a description of the method of computation see Supplemental Statement, Oct. 20, 21, 1911, pp. 20–22; Tables 14, A–1, revised, to G, revised, pp. 23–37. For the new tables (A–1, revised, to G, revised), see Id., pp. 47–62. The total results differ very little.

[2] Memorandum and lists of reports from fourth-class offices, submitted to the Commission Oct. 20, 1911. See Supplemental Statement, Oct. 20, 21, 1911, Tables A–7, A–8, pp. 55, 56.

[3] Brief Series, No. 11 (Table 14), Supplemental Statement, Oct. 20, 21, 1911, p. 23.

"BRIEF SERIES NO. 11 (TABLE 14).—*Statement showing expenditures for the post-office service for the fiscal year ended June 30, 1908, by classes of offices, and by offices where second-class mail is entered for mailing, and not entered for mailing, for each class.*

[Submitted to the Commission Aug. 23, 1911, typewritten record, pp. 1607 and 1734 to 1737, inclusive, and Exhibit 201, p. 17.]

1	2			3			4			5		
Class of offices.	Salaries of postmasters.			Salaries of assistant postmasters and clerks in post offices.			Miscellaneous items, first and second class offices.			Rent, light, and fuel.		
	Entry offices.	Non-entry offices.	Total.	Entry offices.	Non-entry offices.	Total.	Entry offices.	Non-entry offices.	Total.	Entry offices.	Non-entry offices.	Total.
First	$1,238,800.00	$3,000.00	$1,241,800.00	$23,515,249.79	$6,790.00	$23,522,039.79	$189,056.04	$71.17	$189,127.21	$1,177,568.09	$800.00	$1,178,368.09
Second	3,456,400.00	87,900.00	3,544,300.00	5,653,589.39	135,671.56	5,789,260.95	63,320.09	2,190.07	65,510.16	928,875.92	17,028.52	945,904.44
Third	6,108,470.00	592,230.00	6,700,700.00	881,260.51	92,292.85	973,553.36	.....	.....	.....	987,101.93	82,446.48	1,069,548.41
Fourth	2,950,984.31	11,161,613.21	14,112,597.52	134,827.56	483,670.09	618,497.65	.....	.....	.....	.....	.....	.....
Total	13,754,654.31	11,844,743.21	25,599,397.52	30,184,927.25	718,424.50	30,903,351.75	252,376.13	2,261.24	254,637.37	3,093,545.94	100,275.00	3,193,820.94

Class of offices	6			7			8			9			10		
	City Delivery Service.			Supplies, City Delivery Service.			Assistant superintendents, Division of Salaries and Allowances.			Miscellaneous items, office of the First Assistant Postmaster General.			All expenditures.		
	Entry offices.	Non-entry offices	Total.	Entry offices.	Non-entry offices.	Total.	Entry offices.	Non-entry offices.	Total.	Entry offices.	Non-entry offices.	Total.	Entry offices.	Nonentry offices.	Total.
First	$22,329,842.52	$786.79	$22,330,629.31	$52,346.01	$52.40	$52,398.41	$17,270.23	$3.45	$17,273.68	$387.53	$0.08	$387.61	$48,520,520.21	$11,503.89	$48,532,024.10
Second	3,890,270.82	122,301.06	4,012,571.88	14,197.97	454.22	14,652.19	4,986.36	129.95	5,116.31	111.89	2.92	114.81	14,011,752.44	365,678.30	14,377,430.74
Third	.....	.....	.....	.....	.....	.....	2,838.71	272.89	3,111.60	63.70	6.12	69.82	7,979,734.85	767,248.34	8,746,983.19
Fourth	.....	.....	.....	.....	.....	.....	1,098.92	4,146.52	5,245.44	24.66	93.05	117.71	3,086,935.45	11,649,522.87	14,736,458.32
Total	26,220,113.34	123,087.85	26,343,201.19	66,543.98	506.62	67,050.60	26,194.22	4,552.81	30,747.03	587.78	102.17	689.95	73,598,942.95	12,793,953.40	86,392,896.35 "

We also give the result of the apportionment based upon the returns first used, as follows:[1]

"BRIEF SERIES No. 26 (TABLE G, revised).—*Recapitulation of apportionments of expenditures from Brief Series Nos. 22, 23, 24, and 25 (Tables C, D, E, and F, revised).*

[Revised and submitted to the Commission Oct. 20, 1911.]

1 Classes of mail.	2 First-class post offices (col. 8, Table C, revised).	3 Second-class post offices (col. 8, Table D, revised).	4 Third-class post offices (col. 7, Table E, revised).	5 Fourth-class post offices (col. 7, Table F, revised).	6 Total of columns 2, 3, 4, and 5.	7 Per cent.
First class	$29,237,460.75	$7,860,365.51	$4,568,067.45	$8,182,405.71	$49,848,299.42	62.18
Second class:						
Paid at pound rate	5,829,114.58	2,796,860.89	1,977,586.20	3,002,202.40	13,605,764.07	16.97
Free in county	20,690.95	89,376.03	317,815.32	400,830.09	828,712.39	1.03
Transient	579,314.82	150,029.22	114,375.85	294,360.85	1,138,080.74	1.42
Local delivery	142,867.41	7,748.62	.....	.....	150,616.03	.19
All second class	6,571,987.76	3,044,014.76	2,409,777.37	3,697,393.34	15,723,173.23	19.61
Third class	5,583,252.81	1,680,579.92	1,039,219.06	1,705,118.01	10,008,169.80	12.48
Fourth class	922,357.49	219,164.33	171,524.18	311,722.47	1,624,768.47	2.03
Franked	83,372.47	30,136.35	29,430.21	46,952.46	189,891.49	.24
Penalty	432,094.62	124,369.23	101,757.00	257,468.25	915,689.10	1.14
Foreign	1,311,652.26	172,365.35	88,256.05	289,454.08	1,861,727.74	2.32
Total	44,142,178.16	13,130,995.45	8,408,031.32	14,490,514.32	80,171,719.25	100.00
Registry	.....	.....	.....	.....	3,722,602.39	.....
Money order	.....	.....	.....	.....	2,498,574.71	.....
Grand total	.....	.....	.....	.....	86,392,896.35"	.....

And the following is the result of the revised computation, all the returns being used, except as above noted:[2]

"BRIEF SERIES No. 26 (TABLE G, revised).—*Recapitulation of apportionments of expenditures from Brief Series Nos. 22, 23, 24, and 25 (Tables C, D, E, and F, as revised and submitted Oct. 21, 1911).*

[Revised and submitted to the Commission Oct. 21, 1911.]

1 Classes of mail.	2 First-class post offices (col. 8, Table C, revised).	3 Second-class post offices (col. 8, Table D, revised).	4 Third-class post offices (col. 7, Table E, revised).	5 Fourth-class post offices (col. 7, Table F, revised).	6 Total of columns 2, 3, 4, and 5.	7 Per cent.
First class	$29,244,259.94	$7,930,231.12	$4,567,237.66	$8,183,359.77	$49,925,088.49	62.27
Second class:						
Paid at pound rate	5,974,714.13	2,782,626.59	2,009,490.48	3,467,550.34	14,234,381.54	17.76
Free in county	23,428.29	93,054.71	313,603.82	428,916.88	859,003.70	1.07
Transient	570,200.29	144,770.70	105,137.55	217,127.27	1,037,235.81	1.29
Local delivery	133,821.11	7,956.00	.....	.....	141,777.11	.18
All second class	6,702,163.82	3,028,408.00	2,428,231.85	4,113,594.49	16,272,398.16	20.30
Third class	5,571,634.43	1,647,732.84	1,031,631.96	1,592,600.15	9,843,599.38	12.28
Fourth class	897,802.82	219,354.71	167,332.84	280,163.90	1,564,654.27	1.95
Franked	82,235.35	29,235.20	30,280.04	52,659.10	194,409.69	.24
Penalty	434,378.60	115,742.54	97,533.41	148,504.40	796,158.95	.99
Foreign	1,209,703.20	160,291.04	85,783.56	119,632.51	1,575,410.31	1.97
Total	44,142,178.16	13,130,995.45	8,408,031.32	14,490,514.32	80,171,719.25	100.00
Registry	.....	.....	.....	.....	3,722,602.39	.....
Money order	.....	.....	.....	.....	2,498,574.71	.....
Grand total	.....	.....	.....	.....	86,392,896.35"	.....

[1] Supplemental Statement, Oct. 20, 21, 1911, Brief Series, No. 26 (Table G, revised), p. 37.

[2] Id., Brief Series, No. 26 (Table G, revised), p. 62.

It will be observed that according to the department's original calculation second-class mail was charged with 26.88 per cent of $80,046,173.94 [1]—that is, with $21,516,411.55; while by the new computation the share of second-class mail was 19.61 per cent of $80,171,719.25, or $15,723,173.23, which on the larger number of reports was raised to 20.30 per cent, or $16,272,398.16.

It seems hardly worth while to include the subsidiary tables from which these later results are taken, or to criticize the details, as the Commission has little confidence in their accuracy. Any apportionment of the cost of dealing with several things indiscriminately can be only an approximation. At the best, therefore, a computation of the time occupied by clerks in dealing with one class of mail when they are engaged with others must be more or less inaccurate. But in this case, the Commission feels—after inspecting the figures from different post offices—that while in some cases the computations may have been carefully made, in others they were not. Instructions were issued to guide the postmasters, but the reports indicate serious departures. While it may be possible that the result on the whole is fairly near the truth, it cannot be said that it proceeds from an actual count or from estimates upon which we may rely. There is, indeed, a close correspondence between the percentages shown by the last two tables, but this does not justify us in disregarding the obvious deficiencies of the data from which they were compiled.

In view of the errors and inconsistencies in which the returns from the post offices abound—we do not extend this report to review them—our examination has convinced us that the computation is not sufficiently accurate to base an apportionment of the cost of the general post-office service.

4. MISCELLANEOUS ITEMS.

Special Assignable Expenditures.

These comprise expenditures which from their very nature are wholly assignable to a particular class of mail—such as the manufacture of postal cards, the employment of special counsel on second-class matter, transportation of foreign mails, blanks for money orders, etc. They embrace also items belonging to several classes which can, however, be apportioned among them. Of the latter sort is the manufacture of mail bags, that portion which is assignable to pouch and sack mail being divided according to weight among the different classes. Then there is the cost of manufacturing postage stamps, which was apportioned by the department according to the number of pieces of each class of paid matter to which stamps are affixed; the expenditure for stamped envelopes and newspaper wrap-

[1] See note 2 supra, p. 68.

pers, 98 per cent of which was assigned to first-class and 2 per cent to third-class matter; the cost of canceling machines, of which 95 per cent went to first class and 5 per cent to third class; the expense of redemption, which was divided among the several classes of mail in proportion to their percentages of the total expenditures for postage stamps, stamped envelopes and newspaper wrappers; and the cost of post-office inspectors distributed according to an estimate made by the chief post-office inspector. The substantial accuracy of these apportionments does not appear to be seriously questioned. The result is as follows:[1]

"First-class matter:	
Canceling machines	$260,310.54
Manufacture of postage stamps	386,363.76
Manufacture of stamped envelopes and newspaper wrappers	1,072,218.48
Distribution of stamped envelopes and newspaper wrappers	20,584.38
Manufacture of postal cards *	180,152.98
Distribution of postal cards *	5,716.59
Ship, steamboat, and way letters *	124.76
Division of redemption	6,717.30
Mail bags (pouches)	56,480.53
Post-office inspectors	311,889.28
Total	2,300,558.60
"Second-class matter:	
Mail bags	136,865.04
Manufacture of postage stamps	4,928.11
Special counsel, second-class mailing privilege *	2,783.33
Per diems, division of classification *	3,244.68
Division of redemption	22.65
Post-office inspectors	98,658.85
Total	246,502.66
"Third-class matter:	
Canceling machines	13,700.55
Mail bags	30,216.96
Manufacture of postage stamps	93,634.08
Manufacture of stamped envelopes and newspaper wrappers	21,882.01
Distribution of stamped envelopes and newspaper wrappers	420.09
Division of redemption	526.16
Post-office inspectors	54,103.24
Total	214,483.09
"Fourth-class matter:	
Mail bags	10,664.81
Manufacture of postage stamps	7,885.00
Division of redemption	35.81
Post-office inspectors	47,738.16
Total	66,323.78
"Free congressional (franked) matter:	
Mail bags	2,229.49
Post-office inspectors	4,243.39
Total	6,472.88
"Free departmental (penalty) matter:	
Mail bags	15,605.46
Post-office inspectors	4,243.39
Total	19,849.85

[1] Supplemental Statement, Oct. 20, 21, 1911, pp. 38–40; Exhibit 200, pp. 43–48. The items with an asterisk (*) are directly assignable. The other items are apportioned.

" Foreign mail service:	
Mail bags *	$15,089.08
Division of foreign mails, Post Office Department *	17,003.00
Division of foreign mails, auditor's office *	3,000.00
Transportation of foreign mails *	2,218,418.59
Balance due foreign countries *	138,052.82
Total	2,391,563.49
" Registered mail:	
Mail bags *	31,343.30
Manufacture of postage stamps	1,235.11
Indemnities for loss of registered mail *	1,461.67
Division of registered mails (salaries and per diem) *	41,659.37
Division of redemption	5.85
Registered package, tag, official and dead-letter envelopes *	109,556.86
Blanks, blank books, etc., for registry system *	3,030.81
Post-office inspectors	305,524.20
Total	493,817.17
" Money-order service:	
Payment of money orders more than 1 year old *	378,010.97
Legislative, executive, and judicial act—	
Post Office Department *	63,427.64
Auditor's office *	536,440.00
Stationery *	20,000.00
Blanks, etc., for money-order service *	198,968.65
Money-order stamps *	5,000.00
Post-office inspectors	80,624.44
Total	1,282,471.70
" Special-delivery service:	
Car fare for messengers *	9,403.24
Fees to messengers *	1,098,761.11
Total	1,108,164.35

" RECAPITULATION.

First class	2,300,558.60
Second class	246,502.66
Third class	214,483.09
Fourth class	66,323.78
Free congressional (franked)	6,472.88
Free departmental (penalty)	19,849.85
Registry	493,817.17
Foreign	2,391,563.49
Money order	1,282,471.70
Special delivery	1,108,164.35
Total	8,130,207.57

The sum of $246,502.66, assigned to second-class matter, was further divided by the department among its subclasses in the following manner: [1]

Subclass.	Manufacture of postage stamps and Division of Redemption.	Special counsel and post-office inspectors.	Mail bags and per diems, Division of Classification.	Total.
Paid at pound rate		$101,442.18	$125,552.32	$226,994.50
Free in county			9,429.39	9,429.39
Transient	$4,044.28		4,357.41	8,401.69
Local delivery	906.48		770.60	1,677.08
Total	4,950.76	101,442.18	140,109.72	246,502.66

[1] Supplemental Statement, Oct. 20, 21, 1911, p. 41.

Miscellaneous Nonassignable Expenditures.

These include all overhead outlays which from their nature can not be assigned to any particular class or special service. They are:[1]

" Office of the Postmaster General:	
Advertising	$4,456.64
Post-office inspectors (administration, salaries, etc.)	153,822.95
Rewards	1,938.84
Miscellaneous items	228.35
Total	160,446.78
" Office of the First Assistant Postmaster General:	
No amount.	
" Office of the Second Assistant Postmaster General:	
Mail bags	149,004.33
Mail locks and keys	44,736.10
Rent and equipment, buildings for Post Office Department	43,511.31
Miscellaneous items	805.58
Freight on railroads	211,497.07
Total	449,554.39
" Office of the Third Assistant Postmaster General:	
Miscellaneous items	802.34
" Office of the Fourth Assistant Postmaster General:	
Stationery for postal and money-order service ($20,000 assigned to money-order service)	74,059.75
Registered package, tag, official, and dead-letter envelopes ($109,558.86 assigned to registry service)	87,612.10
Postmarking, rating, and money-order stamps ($5,000 assigned to money-order service)	29,979.79
Letter balances, scales, and test weights	7,814.85
Wrapping paper	10,141.03
Wrapping twine	280,378.09
Packing boxes, sawdust, paste, and hardware	2,500.00
Printing facing slips	42,746.36
Typewriters, copying presses, etc	78,699.74
Shipment of supplies	40,674.99
Miscellaneous items	520.30
Distribution of official envelopes	2,852.06
Total	657,979.06
" Legislative, executive, and judicial act:	
Post Office Department	1,489,931.54
Auditor's office	285,430.00
Assistant Attorney General for the Post Office Department	5,000.00
Total	1,780,361.54
" Recapitulation:	
Office of the Postmaster General	160,446.78
Office of the Second Assistant Postmaster General	449,554.39
Office of the Third Assistant Postmaster General	802.34
Office of the Fourth Assistant Postmaster General	657,979.06
Legislative, executive, and judicial act	1,780,361.54
Total	3,049,144.11 "

This sum was distributed by the department among the several classes of mail according to the percentage apportioned to each class of the total amount of the expenditures for transportation, post-office car service, railway mail service, rural delivery service, general post-office service and directly assignable items. There was thus

[1] Supplemental Statement, Oct. 20, 21, 1911, pp. 41, 42.

assigned to second-class matter, according to the original calculation of the department, 38.12 per cent;[1] and by its last revision 34.21 per cent (or $1,043,112.20), 30.85 per cent (or $940,660.96) being the share of pound-rate matter.[2]

In the absence of a sufficient basis for an apportionment of the cost of the general post-office service, we are unable properly to distribute these miscellaneous expenses.

Summary of apportionment of cost for the fiscal year 1908.

Of the total cost for the fiscal year 1908 ($210,105,495), we consider that the following amounts, upon the evidence before us, may be apportioned among the different classes of mail:

Railroad transportation	$44, 267, 507. 13
Other transportation	11, 898, 222. 37
Railway post-office car service	4, 638, 971. 51
Railway mail service	17, 373, 336. 92
Rural delivery service	34, 355, 209. 04
Miscellaneous expenses, directly assignable	8, 130, 207. 57
Total	120, 663, 454. 54

There is no sufficient basis for the apportionment of the remaining amounts, to wit:

General post-office service	$86, 392, 896. 35
Miscellaneous expenses, not directly assignable	3, 049, 144. 11
Total	89, 442, 040. 46

If we divide the first-mentioned items among the classes of mail in accordance with the foregoing computations, the amounts attributable for these services to paid-at-the-pound rate, free-in-county, and transient matter aggregate $47,781,333.07.

Of this total, the share of paid-at-the-pound-rate matter is $43,922,127.55.

And if the amount thus assigned to pound-rate matter be applied to the entire weight of such mail, as estimated for the year on the basis of the six months' weighings, July 1 to December 31, 1907, or 704,216,208 pounds (which is somewhat in excess of the actual weight[3]), the cost per pound would be approximately 6.237 cents, exclusive of the general post-office expenses and miscellaneous items not apportioned.

This, of course, does not mean that each pound of such mail occasions the same outlay. While over 98 per cent of the entire weight of pound-rate matter is treated as carried on railroads, a large part of it is not distributed in the post-office cars; and in the rural delivery—presumably also in the star-route and other special services—

[1] Exhibit 200, p. 49.
[2] Supplemental Statement, Oct. 20, 21, 1911, p. 43.
[3] Supra, p. 24.

only a fraction of the entire amount is handled. But special rates have not been established for the railroad, post-office car, or rural delivery as such. And when we seek to ascertain the average cost per pound of mail paid for by the pound, we must charge to each pound, whether of newspapers or of periodicals, its full proportion of the various outlays in the different branches of the post-office service, to the privileges of which it is entitled.

The result is shown in the following table:

1	2	3	4	5	6	7	8	9	10
	Total weight of mail, one year, based on special weighing of 1907.[1]	Railroad transportation.[2]	Other transportation.[3]	Railway post-office car service.[4]	Railway Mail Service.[5]	Rural Delivery Service.[6]	Other expenses directly assignable.[7]	Total expenditures apportioned.	Cost per pound.
Second class:[8]	*Pounds.*								
Paid at pound rate	704,216,208	$19,455,569.38	$4,891,503.08	$2,205,526.06	$3,651,243.94	$13,491,290.59	$226,994.50	$43,922,127.55	$0.06237
Free in county	52,867,236	8,853.49	182,646.56	104,099.12	172,000.75	2,088,796.71	9,429.39	2,565,826.02	.04853
Transient	24,437,454	787,961.62	150,683.41	61,653.24	102,596.93	182,082.61	8,401.69	1,293,379.50	.05292
Total	781,520,898	20,252,384.49	5,224,833.05	2,371,278.42	3,925,841.62	15,762,169.91	244,825.58	47,781,333.07	.....

[1] Supra, p. 23. [2] Supra, p. 52. [3] Supra, p. 56. [4] Supra, p. 59. [5] Supra, p. 63. [6] Supra, p. 67. [7] Supra, p. 75.

[8] The amounts attributed to these subclasses of second-class mail in the department's calculations, as revised, are shown in "Brief Series, No. 27 (Table 11, revised)," Supplemental Statement, Oct. 20, 21, 1911, p. 44.

The subclass of second-class mail described as "To Canada" in the department's table is omitted. The department apportioned to this subclass only the expense for transportation and certain miscellaneous expenses, the rest of its share of the cost being included in that of foreign mail. (Id.)

The subclass described as "Local delivery" in the department's table is also omitted, as, with the exception of $4,828.13 for pneumatic tubes and $1,677.08 for directly assignable expenses, the entire cost of "Local delivery" is embraced in that of the general post-office service and miscellaneous items which we have not attempted to apportion. (Id.)

Referring to points already noticed, it may be strongly urged that this apportionment unduly favors second-class mail, because it assumes the lower average haul for pound-rate matter shown by the weighings of 1906, while taking for other classes the average haul of mail ascertained from the weighings of 1907.[1]

On the other hand, the contention is made that second-class mail has been allotted a heavier share than is its due of the expense of railroad transportation, because this is divided on the pound-mile basis, without taking into account the different rates of compensation paid on the different routes. To repeat what has been said on this point,[2] we have no data on which to distribute the weights of the mail among the routes according to the amount paid on each; and in view of the fact that second-class mail is carried on all routes, and that, as is stated by the department, a large proportion of the total annual compensation (about 73 per cent) is paid on routes carrying an average of over 5,000 pounds daily, we are not disposed to the conclusion that injustice has been done to second-class mail by the use of the pound-mile method of apportionment.

Again, the apportionment of the expense of "Other transportation" is based on a supposed correspondence between the ratios of mail and equipment for the different classes in these services and in railroad transportation, and it is said that there is no sufficient ground for this assumption. The share thus attributed to pound-rate, free-in-county, and transient matter taken together was 45.77 per cent.[3] If this is a mere estimate, without evidence of the weights actually carried in these routes, still we have no reason for believing that it is unfair to second-class mail. A portion of this cost is for mail messengers and for regulation screen wagons by which the mails are carried to and from the railroads. Most of the remaining expense of "Other transportation"—or nearly two-thirds of the entire amount—is for star-route service.[4] If it be suggested as to this part of the outlay that a closer analogy would be found in the case of rural delivery than that furnished by railroad transportation, it is interesting to note that on a division according to an actual count of pieces in the rural delivery service in the month of May, 1911, the second-class matter (pound-rate, free-in-county, and transient) was found to form 45.88 per cent; and had the division been according to the relative weight of the classes of mail, as reported, the share of second-class mail would have been much greater.[5]

With respect to the post-office cars, account should be taken of the fact that if the amount paid to the railroads for their use were apportioned on the basis of pieces distributed—that is, in the same manner as the compensation of those employed in the railway mail

[1] Supra, p. 49.
[2] Supra, p. 33.
[3] Supra, p. 56.
[4] Supra, p. 54.
[5] Supra, pp. 65–67.

service, as suggested by the expert accountants, the amount charged to pound-rate matter in the foregoing summary would be $1,230,633.21 less, or applied to 704,216,208 pounds, one hundred and seventy-four one-thousandths of a cent less per pound.[1] This would make the cost per pound—for the items apportioned—6.063 cents instead of 6.237 cents.

Many objections have been made to various points in the methods of computation and some of these have been argued with earnestness. Those which appear to the Commission to be important have been discussed. With the others it is unnecessary to deal in detail. The fact that they are not mentioned does not mean that they have been overlooked. It is sufficient to say that in our judgment they rest upon misunderstandings of the evidence or of the methods adopted and their significance. Some of them were based upon the assumption that if a result could not be proved to be exactly accurate it must be valueless, whereas in matters where precise accuracy is of necessity unobtainable an approximation must be deemed satisfactory if the limits of error are too small to affect the value of the result for the purposes for which it is used.

Taking all these criticisms into consideration, and recognizing that the above apportionment can not be deemed exact, we are satisfied that the approximation is close enough to the fact to be a basis for judgment, and that in the fiscal year 1908 the share of second-class mail paid at the pound rate for the services of transportation, post-office cars, railway distributions, rural delivery, and other expenses directly assignable—distributed over all the matter of that sort handled in the mails during that year—was not less than 6 cents a pound.

It should be added that although we have not been able, because of the uncertainty attaching to the reports from the post offices, to apportion the cost of the general post-office service, it is evident that second-class mail has a share of that cost. The department in its revised tables estimated the portion attributable to pound-rate matter to be 16.97 per cent of $80,171,719.25, or $13,605,764.07;[2] and it also allotted to pound-rate matter out of the miscellaneous expenses of a general character the sum of $940,660.96.[3] These two items aggregate $14,546,425.03 out of the total of $89,442,040.46 of the expenses for general post-office service and miscellaneous items not directly assignable.[4] These amounts applied to the estimated 704,216,208 pounds would be slightly in excess of 2 cents a pound. Owing, however, to the obvious deficiencies of the data from which these figures were compiled, we are not willing to hazard a guess as to what

[1] Supra, p. 60. [2] Supra, p. 72. [3] Supra, p. 77. [4] Id.

proportion of this amount of 2 cents a pound would constitute a proper charge against pound-rate matter or whether it would be more than 2 cents.[1]

It is hardly necessary to say that we have been dealing with the actual expenses of the department as reported for the fiscal year 1908, and not with what the cost should be, or might be, under any other conceivable arrangements for transportation and handling or any possible change in the statutory definition of mailable matter. Nor has any amount been charged to any part of the mail for the investment in land and buildings owned by the United States and devoted to post-office purposes.

General considerations of cost.

Arguments have been presented to the Commission against the general principles upon which the foregoing apportionment of cost is based.

First. It has been stated by counsel for the publishers, and evidence has been introduced in support of this statement, that the advertisements in periodicals stimulate a large amount of first-class mail which yields a profit to the post office; and that on ordinary business principles second-class mail should be credited with the profits realized upon the business that it produces.

It may be answered that first-class mail also stimulates the volume of its own class and all other classes, and that third-class matter has the same effect, but any attempt to determine the extent to which each class of mail provokes letters would be hopeless. Data could not possibly be obtained for a computation of this sort, nor if they could, is it clear whether they would increase or reduce the cost apportioned to second-class mail. If the argument that advertisements in magazines produce large quantities of first-class mail be deemed to rebut a suggestion of a special rate upon their advertising sections, still it is ineffectual with respect to the cost of pound-rate matter taken as a whole.

Furthermore, first-class mail, in which the Government holds a monopoly, ought not permanently to be highly profitable, and if found to be so, consideration should be given either to the reduction of the rate of first-class postage as suggested by the Postmaster

[1] By its original calculation the department's estimated cost per pound of second-class mail was 9.235 cents. (Exhibit 200, p. 52.) On its revised computation this was reduced to 8.263 cents a pound for second-class mail as a whole and 8.386 cents a pound for pound-rate matter (Supplemental Statement, Oct. 20, 21, 1911, p. 46); and on its apportionment of the general post-office expenses according to the larger number of returns from post offices (supra, p. 70) it attributed to second-class mail 8.333 cents a pound and to pound-rate matter 8.476 cents a pound. (Id., p. 66.)

General,[1] or the profit should be returned to the public through enlarged postal facilities.[2]

Second. Another criticism proceeds on the assumption that it is the duty of the Government to carry letters and that all other classes of mail should be charged only the increased cost above that which would be caused by letter mail if carried alone.

With such an assumption we can not agree. All classes of mail are carried for the common convenience of the public, and in determining the apportionment of cost, each should be charged with its proper share of the total expense.

Third. Again it is urged that the rates made by common carriers for the transportation of different classes of merchandise are not based upon an equal division of the whole expense, due to fixed charges, maintenance and operation, but that other matters are taken into account.

Without attempting to state what may or may not be permissible considerations in establishing railroad tariffs, it is sufficient to say that the argument, save so far as the differentiation in charges reflects differences in the expense of transportation, bears upon the question of rates rather than upon the apportionment of cost. We are at present concerned with the latter, to the end that the problem of fixing rates for second-class mail may be approached with a proper understanding of the expense of the service for which the charge is to be made. In order to allocate the cost, it is manifestly necessary to determine, in connection with the outlays in each branch of the service, what practicable method of distribution is the fairest and to apply that method in ascertaining the proportionate expense of each class of mail. For this purpose the expert accountants employed by the congressional committee reviewed the entire subject and made their recommendations, and the department obtained its special data and submitted its calculations. These recommendations and computations we have carefully considered, and our conclusions with respect to the apportionment, including the methods adopted and the amounts to be charged to each class of mail, so far as the evidence justifies a division, have been stated. These results can not be affected by any principle of fixing rates, for they deal solely with cost and not with rates.

In the search for some other basis for distributing cost, we have been referred to the territorial transit rates fixed by the Universal Postal Convention of the 26th of May, 1906. It was provided by this convention that articles exchanged in closed mails between two administrations of the union by means of the services of one or of several other administrations of the union should be subject to the

[1] Exhibit 200, Statement of Postmaster General, p. 7. [2] Id., p. 6.

following transit charges to be paid to each of the countries traversed or whose services participated in the conveyance.[1]

a. 1 franc 50 centimes per kilogram ($0.1313 per pound) for letters and post cards and 20 centimes per kilogram ($0.017506 per pound) for other articles for any distance not exceeding 3,000 kilometers (1,864 miles).

b. 3 francs per kilogram ($0.26213 per pound) for letters and post cards and 40 centimes per kilogram ($0.034947 per pound) for other articles for any distance exceeding 3,000 kilometers (1,864 miles) and not exceeding 6,000 kilometers (3,728 miles).

It has been suggested that this may be taken to indicate an international opinion as to the difference in cost of transporting first-class and other classes of mail across the countries of the different administrations joining in the agreement. In fact, however, the convention deals with rates, and the assumption that these correspond to relative cost is contradicted, at least so far as this country is concerned, by the evidence which has been submitted. We need not pause to inquire into the reasons which justified the reciprocal obligations of the convention, for its provisions neither alter the actual outlays of the department nor afford a basis for their proper distribution among the different classes of mail.

SECOND. THE PRESENT MAIL COST OF SECOND-CLASS MATTER.

We have thus far dealt with the apportionment of the cost of transporting and handling the mails in the fiscal year 1908, that being the year in which the special data necessary for the purpose were obtained and with respect to which the department's statistics were compiled. And even where, as in the case of the rural delivery service, use has been made of data subsequently obtained, these have been applied to the distribution of the expense in the fiscal year 1908, so that for a given period there should be as complete an analysis as possible.

But the volume of the different classes of mail and the expenses of the department vary with the years, and the cost per pound of pound-rate matter in one year may not be precisely the same in another. Although we have not the facts necessary for an apportionment of cost in the years after 1908, the following observations may be made by way of comparison:

In the fiscal year 1909 the expenses of the department, as stated in its annual report, were $220,417,698.20.[2] We are not able to make an exact comparison with the outlays of the preceding year, for the total amount of the latter, as taken for the purpose of apportionment, included certain items in addition to those given in the annual summary,[3] and we have not the corresponding items for the succeeding

[1] Exhibit 199, Universal Postal Convention, Rome, May 26, 1906, Art. IV, p. 3.
[2] Annual Report, 1909, pp. 58, 59.
[3] Supra, p. 29. See Annual Report, 1908, pp. 73, 74.

years. Omitting these items in both cases and taking the comparison shown by the annual report of 1909, the increase was $12,889,476.09.[1] Of this by far the larger amount is attributable to general post-office expenses. Thus an increase of $8,338,026.23 is found in the three items of "compensation to assistant postmasters and clerks in post offices," "city delivery," and "compensation to postmasters."[2] The amount of pound-rate matter carried in the mails in the fiscal year 1909 was 723,233,182 pounds,[3] as against 704,216,208 pounds, the estimated weight for the year 1908, taken in the foregoing computations.[4] Excluding, then, the general post-office expenses, which we were unable to apportion, and comparing the other classes of outlays which were apportioned for 1908, we have no reason for believing that the cost per pound of pound-rate matter was substantially different in the fiscal year 1909 from that of the year before.

For the fiscal year 1910 the expenditures are stated to be $229,509,680.36.[5] This shows an increase over the amount stated for corresponding items of expense in the department's summary for 1908 ($207,528,222.11) of $21,982,202. Here again we find the increase very largely accounted for by general post-office expenses, the items of "compensation to assistant postmasters and clerks in post offices," "city delivery," and "compensation to postmasters," showing in 1910 an excess of $14,390,222.53 over 1908.[6]

The following is a comparison of the outlays in 1910 with those which have been apportioned for 1908, exclusive of miscellaneous items:[7]

	1908	1910
Railroad transportation	[8] $44,267,507.13	[9] $44,435,504.47
Other transportation	11,898,222.37	12,241,962.47
Railway post-office car service	[10] 4,638,971.51	[11] 4,697,140.10
Railway mail service	17,373,336.92	19,385,096.61
Rural delivery service	34,355,209.04	36,844,968.61
	112,533,246.97	117,604,672.26

[1] Annual Report, 1909, Financial Statement No. 6, p. 369.
[2] Compare Annual Report, 1908, p. 73, with Annual Report, 1909, p. 58.
[3] Supra, p. 14.
[4] With respect to the discrepancy between this estimated weight and the actual weight, 694,865,884 pounds, see supra, p. 24.
[5] Includes payments to September 30, 1910, for service rendered prior to June 30, 1910. Compare statement of audited expenditures (Annual Report, 1910, p. 369), the total of which, as there shown, is $229,510,424.11.
[6] Annual Report, 1910, p. 42; 1908, p. 73.
[7] The figures are taken, except where otherwise stated, from the summaries in the annual reports, Id. We have not attempted, in the absence of a statement in the matter, to distribute the miscellaneous items for the year 1910, but it will be noticed that in 1908, out of a total of $8,130,207.57 of such items found to be directly assignable, only the sum of $226,994.50 was attributed to pound-rate matter. (Supra, p. 75.)
[8] Supra, pp. 28, 29. Includes $679,494.43 certified in favor of Central Pacific Railway Co., aided, Annual Report, 1908, p. 333.
[9] This amount varies from that stated in the Annual Report ($44,654,515.97), 1910, pp. 42, 368. It is taken from "A report giving the results of the inquiry as to the operation, receipts, and expenditures of railroad companies transporting the mails, and recommending legislation on the subject," H. Doc. No. 105, 62d Cong., 1st sess., p. 5.
[10] Includes $71,605.26 certified in favor of Central Pacific Railway Co., aided, Annual Report, 1908, p. 333.
[11] The amount stated in the Annual Report for 1910 is $4,686,122.27, p. 42. The amount stated above is taken from the report on railway operations (see note 9).

Pound-rate matter carried in the mails in the fiscal year 1910 amounted to 817,772,900 pounds, an increase of 113,556,692 pounds over the estimated weight taken in the foregoing computations for the fiscal year 1908.[1] Despite this large addition and presumably, as indicated by the revenues, a considerable increase in other classes of mail, it will be observed that the entire expense for railroad transportation in 1910 was very slightly in excess of the amount shown for 1908. This is partly explained by the fact that the outlays for railroad transportation respond slowly to increases in weight, as the railroad pay is based upon the average weights appearing in quadrennial weighings and the weights are taken in only one section annually. Further, by the order of the Postmaster General of June 7, 1907, it was provided that when the weight of the mails was taken on railroad routes the whole number of days included in the weighing should be used as the divisor for obtaining the average daily weight; formerly Sundays were excluded. This ruling was operative as to one section only in the fiscal year 1908, but after weighings in two more sections an additional saving of about $1,500,000 was effected, and it is stated that a further reduction for the fiscal year 1911 by the weighing in the fourth section amounted to $1,600,000.[2]

In the apportionment for 1908 (after allowing to pound-rate matter the lower average haul shown by the returns of 1906, and making other changes in the department's computation, which have been explained) the proportion of the entire expense of railroad transportation attributed to pound-rate matter was 43.95 per cent.[3] Assuming that its proportionate share of the outlays for railroad transportation in the fiscal year 1910 was the same—and in view of the increase in weight this assumption can not be said to be prejudicial to pound-rate matter—its portion would be $19,529,404.21. This would represent an average charge upon all pound-rate matter for the cost of this service, on the basis of 817,772,900 pounds in the mails, of 2.388 cents a pound, instead of an average charge of 2.763 cents a pound attributed to the estimated weight of 704,216,208 pounds in the summary of the apportionment for 1908.[4]

If, further, we take the outlays for the fiscal year 1910 in the services mentioned in the above comparative statement (transportation, post-office cars, railway mail service, and rural delivery service), amounting to $117,604,672.26, and assume that pound-rate matter had the same proportionate share of this total amount as it had of the aggregate of the corresponding items for the fiscal

[1] The excess over the actual weight was 122,907,016 pounds. Supra, p. 14.

[2] Annual Report, 1910, p. 131.

[3] Table 5, supra, p. 52.

[4] The share of pound-rate matter of the cost of railroad transportation is stated in that summary as $19,455,569.38. Supra, p. 79.

year 1908,[1] its share would be $45,630,612.84, or, distributed over 817,772,900 pounds, an average of 5.58 cents a pound, as against a charge of 6.205 cents a pound for these services in 1908.[2]

This is exclusive of the general post-office expenses and miscellaneous items.

We have not before us similar statistics for the fiscal year 1911.[3]

Various economies have been introduced and others are now being made. Notable among these is the transportation of certain periodicals by freight instead of by mail trains, which was begun in the third contract section in September, 1911. The department stated to the Commission, during the course of the hearings, that it expected to effect a saving in that section of $800,000 a year, estimating on that basis that when applied over the whole country the annual saving would aggregate $3,200,000.[4] It now appears that, if the movement by freight should be continued throughout the year on the same basis as in September last, there would be a saving in the third contract section of over 50 per cent above the original estimate, or $1,237,459.98.[5] A reduction in transportation cost of $1,200,000, if applied to 800,000,000 pounds of pound-rate matter, would mean 1½ mills per pound. As to the probable saving throughout the entire country when the movement is fully inaugurated the department states that it has no further information than that submitted.[6] However, it may be regarded as unlikely that there will be a saving at the same rate in the three other contract sections on account of the differences which they present.[7]

In the absence of data for a precise allocation of present outlays, we are of opinion, upon the facts which have been reviewed, that a fair estimate of the present cost of pound-rate matter for the services above mentioned is approximately 5½ cents a pound, and that, if other conditions continue to be the same, the extension of the method of shipping periodicals by freight will further reduce this cost to an amount slightly in excess of 5 cents a pound.

To obtain the total cost it would be necessary to add the share of pound-rate matter in general post office and miscellaneous expenses. We repeat that we have not been able, because the necessary facts are not available, to make an apportionment, even for the year 1908,

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[1] Supra, p. 79.

[2] Including miscellaneous items directly assignable, the charge for 1908 was 6.237 cents a pound. Supra, p. 79.

[3] It may be said, however, that the total pound-rate matter for the fiscal year 1911 was 893,296,908 pounds and the free-in-county matter 57,704,761 pounds. Report of Third Assistant Postmaster General, 1911, p. 36.

[4] Typewritten Record, p. 700.

[5] "Memorandum of October 28, 1911, on behalf of the Post Office Department in reply to 'Memorandum filed on behalf of the publishers of certain magazines,'" p. 34.

[6] Id.

[7] See as to application of new divisor, Annual Report, 1910, p. 131; as to pound-miles paid for, Typewritten Record, p. 2135, Exhibit 152.

of the general post-office expenses and the miscellaneous outlays not directly assignable, and we have no basis for estimating how much of this cost should be assigned to pound-rate matter.

It should be observed that there are changes pending in connection with schemes furnished by the department for the separation of pound-rate matter by publishers to reduce the handlings required in the service. With respect to this matter the department says:

> In regard to the saving which will be effected by the improvement in the separation of the mails by the publishers as above mentioned, some consideration should be given on this account, but the change has not gone into effect sufficiently in extent or in time to enable the department to make an intelligent estimate as to saving.[1]

It further appears that as a result of the recent inquiry as to the operation, receipts, and expenditures of railroad companies transporting the mails, the department has suggested changes in the method of payment by which the present practice of fixing railway mail pay in accordance with weight would be entirely abandoned, and railroads would be paid according to the amount of space required in cars for the distribution and carriage of the mails on the basis of ascertained cost and 6 per cent thereof additional.[2] It is estimated that through this readjustment there would be a saving of about $9,000,000 in the annual outlay. In the apportionment for 1908 (after making the various changes noted) the share of second-class mail paid at the pound rate was 43.95 per cent of the compensation paid to the railroads on the basis of weight and 44.29 per cent of the total amount paid for transportation and for the use of post-office cars.[3] Assuming that it would have the same share of the total outlay under the new system, the amount of the estimated saving to be assigned to pound-rate matter would be about $3,986,100. To this there would be added whatever might be saved by freight shipments, as it is proposed that these should be paid for according to the freight tariffs approved by the Interstate Commerce Commission. It should be remembered that the saving on freight shipments, heretofore mentioned, for the current year is based on the present method of paying the railroads by weight; and we have no figures for a definite calculation as to the difference between freight charges and the compensation which would be paid on the basis of cost and 6 per cent. However, it may be estimated, in a general way, that the total saving on pound-rate matter (if the new arrangement were made), including freight shipments, would be considerably less than 1 cent a pound.

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[1] Memorandum of Oct. 28, 1911, p. 34.

[2] Letter from the Postmaster General submitting a report giving the results of the inquiry as to the operation, receipts, and expenditures of railroad companies transporting the mails, and recommending legislation on the subject. H. Doc. No. 105, 62d Cong., 1st sess.

[3] See supra, pp. 52, 59.

But this change is still in the future and dependent upon new legislation; it cannot enter into the findings of present cost. The same may be said of other changes discussed in argument during the hearings—including the establishment of a parcel post—and it is impossible at this time, with respect to the apportionment of cost, accurately to estimate their effect.

FINDINGS AS TO COST.

Summarizing our conclusions, and responding to that portion of the joint resolution of March 4, 1911, which directed the Commission "to make a finding of what the cost of transporting and handling different classes of such second class mail matter is to the Government," we report—

First. That the evidence submitted does not justify a finding of the total cost of transporting and handling the different classes of second-class mail matter.

Second. That the evidence submitted is sufficient to warrant a finding of the approximate cost of the different classes of second-class mail known as paid-at-the-pound-rate, free-in-county, and transient matter, exclusive of their shares, respectively, of the general post-office expenses and miscellaneous items not directly assignable; that is to say, the approximate cost of such mail matter for the services of transportation, post-office cars, railway distributions, rural delivery and certain miscellaneous items directly assignable.

Third. That there is no evidence upon which a finding can be made as to the cost for the services above mentioned of other subdivisions of second-class mail; that is, of the different sorts of newspapers and periodicals.

Fourth. That in the fiscal year 1908, for which the department's statistics were compiled, the cost of the subclasses of second-class mail known as paid-at-the-pound-rate, free-in-county and transient matter for the services of transportation, post-office cars, railway distributions, rural delivery and certain miscellaneous items directly assignable, was as follows:

Paid-at-the-pound-rate matter, approximately	----	6	cents	a	pound;
Free-in-county	"	----	5	"	"	" ;
Transient	"	----	5	"	"	" .

Fifth. That upon the basis of the apportionment for the fiscal year 1908, as modified by subsequent reductions in the expense of railroad transportation, the cost of paid-at-the-pound-rate matter for the services above mentioned is approximately 5½ cents a pound.

That, by the extension throughout the country of the method recently introduced of transporting certain periodicals by freight instead of the usual mail trains, the cost of paid-at-the-pound-rate matter will be further reduced; that this saving cannot be precisely estimated at this time, but it is probable that when it is fully effected, and if other conditions remain substantially unchanged, the cost of paid-at-the-pound-rate matter for the services above mentioned will be slightly in excess of 5 cents a pound.

Sixth. That there is no evidence that the cost either of free-in-county or of transient matter for the services above mentioned is substantially different from that found for the fiscal year 1908.

Seventh. That to obtain the total cost of transporting and handling the subclasses of second-class mail, known as paid-at-the-pound-rate, free-in-county and transient matter, it would be necessary to add to the ascertained cost for the services above mentioned, the shares of these subclasses, respectively, in the general post-office expenses and miscellaneous outlays not directly assignable, for the proper apportionment of which the Commission is without adequate data.

RATE THAT WOULD COMPENSATE THE GOVERNMENT.

The joint resolution also directed the Commission to report "what in their judgment should be the rate for the different classes of second class postal matter, in order to meet and reimburse the Government for the expense to which it is put in the transportation and handling of such matter."

In considering this question, it must be remembered that the Government has no monopoly in the case of second-class matter. Any part of the transportation or distribution of this sort of matter which may be profitable is therefore open to the competition of private agencies. The least expensive part of the service is, of course, the carriage in bulk of newspapers and periodicals sent by publishers to newsdealers. So long as the Government transports and delivers second-class mail at the same rate throughout the United States, the shorter hauls without distribution of individual pieces will cost less, and hence be more remunerative than the longer hauls and the scattered distribution; and, there being no monopoly, private enterprise is certain to compete for any portion of the business which may afford a profit, leaving to the post office that which costs more than it returns. When packages are limited in size it may not be for the interest of private concerns to compete and there may be a profit, as apparently in the case of fourth-class mail; but where an unlimited amount can be sent at the same rate per pound, an oppor-

tunity is offered—the extent of which, of course, depends upon the amount of the post-office charge—for competition for shipments in bulk.

How far competition is carried under the present rate of 1 cent a pound appears from the report dated July 1, 1910, prepared by the Bureau of Statistics and Accounts of the Interstate Commerce Commission,[1] as follows:

"The transportation of daily newspapers by express companies also is subject to peculiar rules affecting the rates. Daily newspapers, if shipped by publishers or news companies and forwarded on the day of issue, are carried for one-half cent per pound for each carrying company between all points where the merchandise rate does not exceed $4.50 per 100 pounds, when no wagon service is rendered either in receipt or in delivery, and when special mail or newspaper trains are not used. When wagon service is rendered, or when special mail or newspaper trains are used, 1 cent per pound is charged for each company. Under the application of this rule, the charge on a 50-pound package of daily papers from New York to Kansas City, if collection and delivery service were rendered, would be 50 cents. If no wagon service were rendered, the charge would be 25 cents. The charge on a package of merchandise of the same weight between the same two points would be $2.25.

"Charges on newspapers other than those published daily, magazines, and similar publications which are registered in the post-office as second-class matter, if shipped by publishers or news companies, must be prepaid, except that returned shipments may be forwarded 'collect' when guaranteed by consignee. Between points in what may be called the Atlantic States, where the merchandise rates do not exceed $4.50 per 100 pounds, the rate is 1 cent per pound, minimum 10 cents per package for each carrying company, except between points where a single graduate is authorized. Between points both of which are in the States called in the official express classification 'Territorial group No. 2,' and which comprises 31 States, including Alabama, Arizona, Louisiana, Michigan, Nebraska, Ohio, Oklahoma, Texas, Utah, and Wyoming, this rate also applies between all points where the merchandise rate does not exceed $4.50 per 100 pounds. Between points in the Atlantic States and those in group No. 2, or between all points where the merchandise rate exceeds $4.50, merchandise pound rates apply, with a minimum charge of 25 cents. The working of this rule may be illustrated by a comparison. The charge on a 50-pound package of magazines from New York to Atlanta, Ga., with both collection and delivery service furnished, would be 50 cents. On a package of merchandise of the same weight between the same points the charge would be $2. The express rules for rates on newspapers, magazines, and the like may be due to the competition existing between the post-office and the express companies for this class of freight."

It will be observed that the express companies do not now underbid the post office, save in the case of daily newspapers shipped by publishers or news companies and forwarded on the day of issue, where the rate between certain points is one-half cent a pound for

[1] Exhibit 14, "First annual report on the statistics of express companies in the United States for the year ending June 30, 1909," pp. 14, 15; see also Exhibit 15, "Official express classification, No. 19," issued July 1, 1909, effective Aug. 1, 1909, p. 19; Typewritten Record, pp. 579–581.

each carrying company, when no wagon service is rendered. We are also informed by the Second Assistant Postmaster General that the railroad companies have "what they call a baggage rate for newspapers, which is one-half a cent a pound over the line of the road carrying, and that means over the particular corporate line, not a system; and most of that mail is carried on what are known as newspaper trains that are made up by the companies for the purpose of carrying the great daily papers out of large centers in very expeditious time."[1]

In the case of newspapers other than daily, and of magazines and other periodicals, the rate between the described points is 1 cent a pound, with a minimum rate of 10 cents per package for each carrying company, except where a single graduate is authorized. The express classification adds: "All publications not registered in the United States Post Office as second class matter must be charged for at merchandise or Section D rates."[2]

It has been urged that the fact that these rates are made, taken into consideration with the large percentage of receipts which is paid by the express companies to the railroads for express privileges, indicates that the charge to the post office for railroad transportation is too high. The subject of railway mail pay is not within our province, but it may be suggested that it should be ascertained whether or not by virtue of the present system the post office pays, under similar conditions, a higher rate than that charged to private concerns; and if so, the situation should be remedied.

It is apparent, however, that if the postal rate were increased and that of the express companies should remain the same, these companies would have the carriage of all bulk shipments of second-class matter, not requiring for its distribution the special facilities of the post office, between the points described in the express classification. And the increase, according to its amount, would extend the zone of competition.

This must necessarily be the case unless different prices are charged for different distances or services; in other words, unless zone rates or other differentials are established. The policy of zone rates was pursued in the earlier history of our post office and has been given up in favor of a uniform rate in view of the larger interest of the Nation as a whole. It would seem to the Commission to be entirely impracticable to attempt to establish a system of zone rates for second-class matter.

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[1] Typewritten Record, p. 581.

[2] Exhibit 15, p. 19. Section D rates are those, between certain points, which may be said to correspond in a general way (but with a certain minimum charge) to third-class postal rates; Exhibit 15, p. 25.

Nor is it advisable, in our opinion, to adopt a scheme of differential charges for matter now in the pound-rate subclass, with the object of making a difference in rates with respect to the services rendered. Probably the clearest line of division would be that of shipments of newspapers and periodicals in bulk; that is, in packages over a prescribed minimum to be delivered unbroken to the addressee. But even in such case, unless zones were created, there would be wide disparities in service, as for example between shipments from New York to Philadelphia and those from New York to Seattle. Any attempt, therefore, to establish differential rates for newspapers and periodicals mailed by publishers, proportional to the service rendered, would fall so far short of its purpose as to leave unjustified the complications of an elaborate schedule with its attendent inconveniences. Progress in the post office, with respect, both to economy in administration and to public convenience, leads away from a variety of differential charges to uniform rates and broad classifications.

But, to repeat, it is clear that, under a uniform rate, competition in the more profitable part of the business is unavoidable; unless the second-class privilege were restricted to those publishers who send through the post office all copies of their publications requiring railroad transportation. The Commission does not recommend an effort to monopolize the carriage of newspapers and periodicals, and hence, in considering the adequacy of new rates to reimburse the Government, account must be taken of changes in condition which would result if the area of competition were enlarged.

It must also be noted that a rate based upon the estimate of present cost would doubtless be prohibitive for a large number of publications which are dependent upon the facilities of the post office and could not exist under a heavy increase of rates.

In short, our conclusion is that, if a rate were established commensurate with the present estimate of cost, it would dislocate this part of the service and produce such entirely new conditions that a new computation of cost would be necessary, in the light of which alone could it be determined whether the rate furnished the desired correspondence between income and outlay as to this sort of mail. And it follows that, if for the reasons stated a rate equivalent to the cost estimated under present conditions cannot be regarded as satisfying the requirement, the suggestion of another rate which would fairly meet and not exceed the outlays of the Government must necessarily rest on conjecture.

We are, therefore, of opinion that, as the Government has no monopoly of second-class matter and in view of the changes which inevitably would follow if rates were greatly increased, it is im-

possible to report, with any satisfactory approach to accuracy, what charge for the different classes of second-class mail would "meet and reimburse the Government for the expense" which it incurs in their transportation and handling.

RECOMMENDATIONS.

In what has been said we have fulfilled, so far as we are able, the obligation placed upon the Commission by the letter of the resolution, but we feel that our work would not be complete, and our duty not all done, without an expression of opinion on the question of an increase in the rates of second-class mail matter, apart from any attempt to suggest what rates would afford full reimbursement on the basis of present cost.

There appears to be at present no deficit in the operations of the Post Office Department as a whole, and from the arguments submitted to us it is apparent that some have supposed that the only reason for proposing an increase in rates was to cover a deficit. While postal rates should be adequate to meet the expenses of the department, the chief reason for an increase in the rate on second-class matter is not the existence of a deficit, for that might be covered by raising all rates or in some other way. The true reason for the change is to apportion the cost of the service more equitably among the different classes of mail matter, and at present the second class pays far less than its share. We have already observed that if in the future there should be a substantial surplus in the post office it might well be applied to lowering the rate or, perhaps, better still, to making further improvements in the service for first-class mail. For there can be no doubt of the benefit to business and to the people at large of low rates and good service in the transportation of letters.

The educational object.

The original object in placing on second-class matter a rate far below that on any other class of mail was to encourage the dissemination of news and of current literature of educational value. This object has been only in part attained. The low rate has helped to stimulate an enormous mass of periodicals, many of which are of little utility for the cause of popular education. Others are of excellent quality, but the experience of the post office has shown the impossibility of making a satisfactory test based upon literary or educational values. To attempt to do so would be to set up a censorship of the press. Of necessity the words of the statute—"devoted to literature, the sciences, arts, or some special industry"—must have a broad interpretation. A "legitimate list of subscribers" has been

insisted upon as an indication that a periodical is desired by the public, but this, while useful in excluding extreme cases, has not worked quite as was intended; and premiums, prizes and various inducements are largely offered to stimulate a demand. The statute expressly excludes not only publications intended primarily for advertising purposes, but also those designed for circulation at nominal rates; yet those with the largest circulation are often sold at rates that do not nearly cover the cost; and, in fact, one of the objections to imposing a special rate on advertisements was that these permitted periodicals to be supplied to the public at much less than cost.

Thus the educational purpose has been accomplished only in part; it is wholly impracticable to make a low rate for publications with a considerable educational value and a higher rate for the rest; and, under the actual working of the law, large business enterprises, which are maintained by the commercial advantages they offer as advertising media, receive the benefit of a rate so low as to amount to a subvention by the Government.

In these circumstances there would seem to be no reason why there should be such a wide difference between rate and cost, and it is the judgment of the Commission that there should be an increase in the charge for second-class mail in order that a more equitable adjustment may be made.

On the other hand, the historic policy of encouraging by low postal rates the dissemination of current intelligence, and the extent to which it has proved successful, should not be overlooked. Enterprises, those with slender resources as well as the large and highly successful—religious and philanthropic, together with those conducted for pecuniary gain—have been established on the faith of this policy; and no change should be made which would seriously hamper the circulation of useful information or dislocate an industry. The increase should be a moderate one; and, after it has been provided for, time should be allowed to permit the business to adapt itself to the new conditions before the change goes into effect. And, in addition, provision should be made in the department for the maintenance of an adequate cost system, so that the operation of rates may be observed continuously and accurately, and in the light of this experience the propriety of any further modifications may be determined.

Different kinds of second-class mail.

The first question that arises in regard to the rate is whether any discrimination should be made between different kinds of second-class matter. The plan proposed of charging a special rate for the portions of magazines devoted to advertisements seems open to grave

practical objections. The amount of space given to advertising is no criterion of the educational value of a magazine; and, if the same provision were applied to newspapers, the attempt to measure the space occupied by advertisements would involve more labor than is consistent with the rapid dispatch of the daily press.

The Commission is further of the opinion that it would be a mistake to discriminate between newspapers and magazines or other periodicals. So far as educational value is concerned no satisfactory distinction can be made. And we have no basis for the conclusion that the comparative cost of transporting and handling would justify a difference in rate.

As has been said, the special statistics compiled by the department for the fiscal year 1908 did not distinguish between the subclasses of pound-rate matter, such as newspapers and the various sorts of periodicals. But in the weighings of 1906 [1] a separate record was made of (1) daily newspapers, (2) weekly and other than daily newspapers, (3) scientific periodicals, (4) educational periodicals, (5) religious periodicals, (6) trade-journal periodicals, (7) agricultural periodicals, (8) magazines, and (9) miscellaneous periodicals.[2] Upon the percentages derived from this record, and upon an estimate of the average weight per copy in each of the subclasses, an apportionment has been made by the department of the total expenses assigned to pound-rate matter in its computation for 1908.[3] The following is the result showing the percentage for each of the above classes of pound-rate matter of the total expenses so attributed and the cost per pound on this basis.

1 Subclasses.	2 Estimated weight.[4]	3 Estimated total expenses for 1908.[5]	4 Per cent.[6]	5 Estimated cost per pound.[7]
	Pounds.			
Daily newspapers	272,461,251	$18,851,909.29	31.91	6.91
Weekly and other than daily newspapers	122,111,090	12,942,166.49	21.91	10.59
Scientific periodicals	8,873,124	643,663.57	1.09	7.25
Educational periodicals	5,140,778	414,373.59	.70	8.06
Religious periodicals	41,407,913	4,711,225.27	7.98	11.37
Trade-journal periodicals	33,520,692	2,168,906.95	3.67	6.47
Agricultural periodicals	35,281,232	3,364,620.10	5.70	9.53
Magazines	141,124,928	11,429,539.93	19.35	8.09
Miscellaneous periodicals	44,295,200	4,544,896.99	7.69	10.26
Total	704,216,208	59,071,302.18	100.00	8.39

[1] Supra, pp. 17, 18.
[2] Report of Weighings, July 1 to Dec. 31, 1906, H. Doc. No. 651, 59th Cong., 2d sess., Table E, p. 89.
[3] Tables M, N, O, P, Q, Exhibits 185, 186, 187, 188, 189; Memorandum relative to computation of cost in these tables, Exhibit 190; Typewritten Record, p. 2433.
[4] The total estimated weight of pound-rate matter in the fiscal year 1908 is divided according to the percentages derived from the weighings of July 1 to Dec. 31, 1906. (See Table Q, Exhibit 189, column 2.)
[5] The total expenses are those shown by the department's table submitted Sept. 13, 1911. (See Table P, Exhibit 188, column 10; Exhibit 201, p. 38.)
[6] Table P, Exhibit 188, column 11.
[7] Table Q, Exhibit 189, column 8.

We shall not review the criticisms that have been made of these tables, for they were not submitted upon the theory that data existed for an accurate apportionment of the expenses of 1908 among these sorts of mail matter. They were prepared in response to an inquiry by the Commission for such information as was available with respect to the relative mail cost of the subclasses described in the statute of 1906. They represent simply an estimate, so far as it was possible to make one, by applying the percentages shown by the weighings in that year. These figures are the only basis we have for judgment as to the comparative cost of transporting and handling the different kinds of publications above mentioned; and it is evident that they furnish no sufficient foundation for a discrimination in rates between newspapers and periodicals—certainly not for a higher rate on magazines, for example, than on weekly newspapers.

We conclude, therefore, that, whatever increase be made, should apply alike to newspapers and periodicals admitted to the second class, and that it is impracticable in the case of newspapers to charge a higher rate for space given to advertisements. It has been suggested that the proportion of this space should be limited for all second-class matter, but the true definition of such matter is that which is devoted primarily to the dissemination of news and of current literature and instruction, and we are not convinced that this can be measured by an arbitrary standard of the proportion of space given to advertisement.

Present proposals of the department.

We recur to the existing seven rates or variations of rates (as classified by the department[1]) on second-class mail, as follows:

(1) The general rate of 1 cent a pound on copies mailed by publishers to subscribers, to news agents, and as sample copies; and by news agents to their subscribers or to other news agents.

(2) The free-of-postage privilege for copies mailed to subscribers residing in the county where the publications are printed and published, when not addressed for delivery from a city letter-carrier office.

(3) The cent-a-pound rate on copies mailed for delivery by rural carriers on routes emanating from a city letter-carrier office.

(4) The cent-a-pound rate on weekly publications mailed at a city letter-carrier office for local delivery.

(5) The cent-a-copy rate for newspapers other than weeklies, and for periodicals not exceeding 2 ounces in weight, when mailed at a city letter-carrier office for local delivery by carriers.

(6) The rate of 2 cents a copy for periodicals exceeding 2 ounces in weight when mailed at a city letter-carrier office for local delivery by carriers.

(7) The rate of 1 cent for each 4 ounces for copies mailed by others than publishers and news agents; that is, the so-called transient rate.

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[1] Supra, p. 13. Report of Third Assistant Postmaster General, 1911, p. 38.

The proposal of the Postmaster General, as submitted to the Commission,[1] is (a) to abolish the requirement of 1 cent a pound on matter otherwise free-in-county when mailed for delivery by rural carriers on routes emanating from city letter-carrier offices; (b) to abolish the cent-a-copy rate for newspapers, and the rates of 1 cent and 2 cents a copy for periodicals when mailed at a city letter-carrier office for local delivery by carriers, and to have all copies of second-class publications which are deposited in such offices by publishers and news agents delivered at the pound rate; and (c) to establish a flat rate of 2 cents a pound on all paid second-class matter except transient. This would leave only three rates for second-class matter:

(1) The existing free-in-county privilege retained, and extended so as to cover delivery by rural carriers on routes emanating from city carrier offices.

(2) The rate of 2 cents a pound on copies mailed by publishers to subscribers, to news agents, and as sample copies; and by news agents to their subscribers or to other news agents.

(3) The transient rate of 1 cent for each 4 ounces on copies mailed by others than publishers and news agents.

To take up these recommendations in detail: The free-in-county privilege has been in force since 1851.[2] Originally limited to weekly newspapers, it was extended in 1874 to all newspapers and in 1879 to all second-class publications;[3] but in its effect it may be regarded as a part of the settled policy of the Government to encourage the local country press. The Commission recognizes that this privilege is not likely to be withdrawn, but recommends that it be not further extended as suggested by the Postmaster General. It appears that at present on the rural routes not emanating from city carrier offices the mail matter in question is carried within the county without charge.[4] Of the expenses apportioned for 1908 (exclusive of the general post-office expenses) the share of free-in-county matter was over $2,500,000, of which over $2,000,000 was found—on the basis of the count of May, 1911—to be its share of the cost of the rural delivery service.[5]

The Commission finds no sufficient ground for the enlargement of this costly privilege.

In the interest of simplification we approve the recommendation to abolish the copy rates for newspapers and periodicals when mailed at city carrier offices for local delivery.

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[1] Exhibit 200, Statement of the Postmaster General, pp. 8–10.

[2] Previously, under the act of 1845, there was a free privilege for newspapers of limited size distributed within 30 miles of the place of printing. Supra, p. 9.

[3] Supra, p. 9.

[4] Typewritten Record, p. 904.

[5] Supra, p. 79.

The question of raising the rate on second-class matter mailed by publishers and news agents from 1 cent to 2 cents a pound is a more serious one. But we are of opinion that the change is reasonable and should be made. To deny such a moderate increase is virtually to say that the present rate, despite the heavy loss it entails, must be deemed satisfactory, or if not that it is wholly impracticable to attempt any change in it. We regard either conclusion as without foundation.

Such an increase will not, in the opinion of the Commission, bring distress upon the publishers of newspapers and periodicals, or seriously interfere with the dissemination of useful news or information. A reasonable time should be allowed, after the rate is fixed, before it is put into effect. While the new rate will be very far from compensating the Government for the carriage and handling of second-class matter, it will to some extent relieve the existing burden and result in a more equitable adjustment of rates.

Conclusions as to rates.

Accordingly, we recommend the following rates for second-class mail:

(1) The rate of 2 cents a pound on copies mailed by publishers to subscribers, to news agents, and as sample copies; and by news agents to their subscribers or to other news agents.

(2) The rate of 1 cent for each 4 ounces for copies mailed by other than publishers and news agents; that is, the present transient rate.

(3) The present free-in-county privilege retained, but not extended.

Further, as we have said, the department should maintain an adequate cost system, so that the effect of the new rates may be closely observed and a proper basis may be secured for the consideration of any future proposals.

Other matters discussed before the Commission.

The Third Assistant Postmaster General pointed out forcibly in his statement before the Commission the difficulties in applying the existing law to particular cases, and the need for more precise definitions and for more adequate provisions for the prevention of described abuses. And, in furtherance of this purpose, the department submitted to the Commission the draft of a bill "To amend and consolidate the laws pertaining to second-class mail matter."

While a revision of the statute may be highly desirable, we do not understand that Congress intended that it should be undertaken by this Commission, and recommendations as to the form and content of new legislation of this character cannot be regarded as within

either the letter or the spirit of the joint resolution. We therefore express no opinion upon the proposed bill.

Other suggestions have been made by publishers and others, looking to the amendment of the law and to the modifying of departmental regulations as to second-class matter. Thus, it has been strongly urged by representatives of professional, scientific, benevolent, and fraternal societies, and of trade unions, in opposition to the construction placed by the department upon the act of July 16, 1894, that they should be entitled under the second-class rate to carry in their publications general advertising matter. But, in view of the limited nature of the present inquiry as defined by the resolution, we do not consider the subject of these proposals or of others relating to statutory and administrative changes to be within our province. And as to these matters we make no recommendations.

Respectfully,

CHARLES E. HUGHES,
A. LAWRENCE LOWELL,
HARRY A. WHEELER.

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